普甜
PUTIAN

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

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

Stock Code 股份代號: 1699

年報
Annual Report 2015

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

領先的垂直一體化豬肉供應商

LEADING VERTICALLY INTEGRATED PORK PRODUCTS SUPPLIER

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Wu Shiming
Mr. Cai Zirong
Mr. Wang Aiguo

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

LEGAL ADVISOR

Cheung Tong & Rosa Solicitors

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKER

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.putian.com.hk

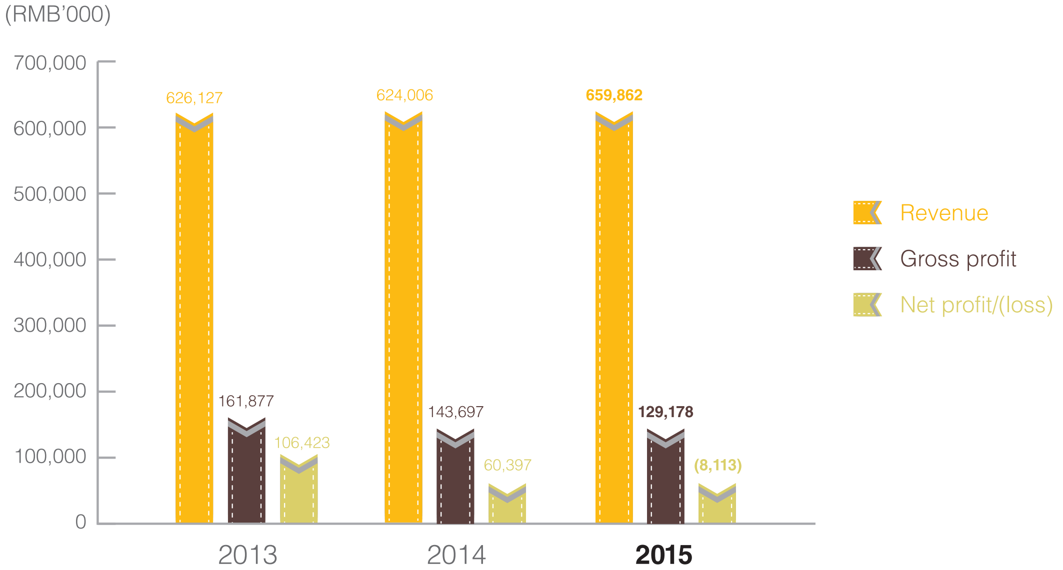
STOCK CODE

1699

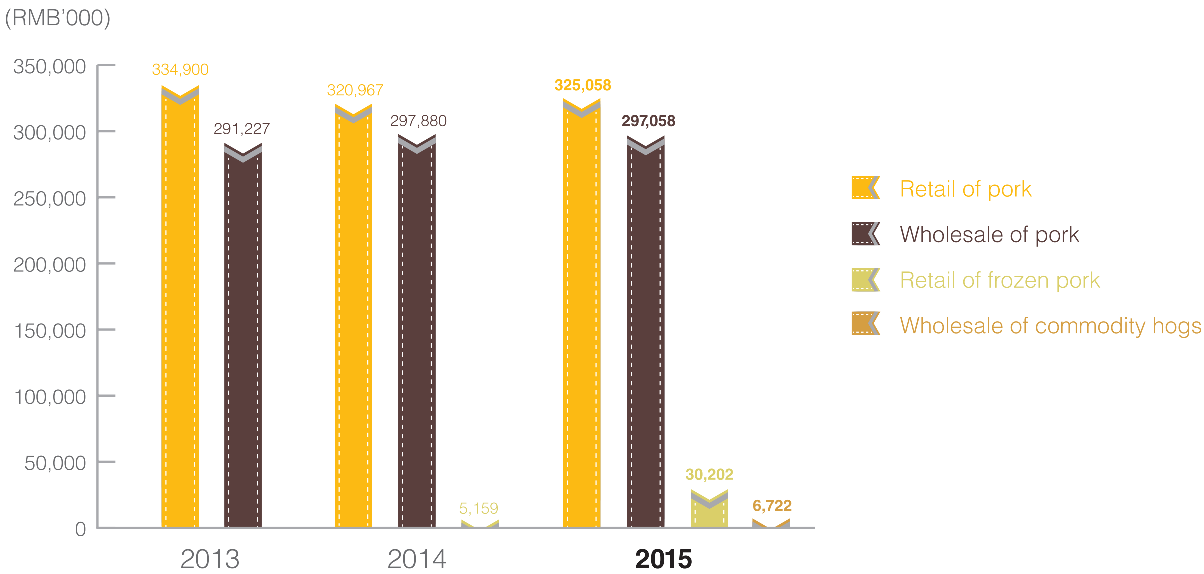
Financial Highlights

	Year 2013 RMB'000	Year 2014 RMB'000	**Year 2015** **RMB'000**
Revenue	626,127	624,006	**659,862**
Gross profit	161,877	143,697	**129,178**
Net profit/(loss)	106,423	60,397	**(8,113)**
Revenue by products			
— Retail of pork	334,900	320,967	**325,058**
— Wholesale of pork	291,227	297,880	**297,880**
— Retail of frozen pork	—	5,159	**30,202**
— Wholesale of commodity hogs	—	—	**6,722**

Revenue, Gross profit and Net profit/(loss)



Revenue by products



Chairman's Statements

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Putian Food Holding Limited (the "Company"), I am pleased to present the annual results for the year ended 31 December 2015 (the "Reporting Period") of the Company and its subsidiaries (the "Group") to all shareholders.

BUSINESS REVIEW

In 2015, the international environment was complicated, but China's economic development has entered the "new normal" phase and recorded the highest annual GDP growth in the world of 6.9%. The urbanization of China has brought about year-on-year growth in urban population and rising resident income and resulted in an overall favorable environment in the pork market.

On the other hand, according to the Global Wealth Report published by Credit Suisse, the number of people in middle class in the PRC amounted to 109 million in 2015, replacing the United States for the first time and ranked no. 1 in the world. On this basis, it is believed that the high-end pork market of the Group will have much room for development.

Since the launch of the brand of "Putian Black Pearl" in the second half of 2014, the Group has been devoted to the construction of the black hog farming base in Xuanhua, Hebei and actively promoted the sales of black pork products in the Beijing market, which has achieved better results during the year. In 2015, the sales of "Putian Black Pearl" accounted for 2.4% of the total revenue. At the same time, the existing pork retail and wholesale businesses of the Group continued to provide the Group with a stable source of revenue.

In 2015, the pork retail business grew steadily and generated a revenue of approximately RMB325,058,000 for the Group, representing a year-on-year increase of approximately 1.3%, which accounted for approximately 49.3% of the total revenue of the Group. The Group will continue the intensive collaboration with the largest supermarket in the world and those with chain stores throughout China. Two supermarket retail counters were newly added in Beijing, namely Auchan Supermarket and Jenny Lou's Supermarket respectively. As of 31 December 2015, the Group had 80 supermarket retail counters in total, including, in addition to the two newly added counters, the counters in supermarkets and department stores with regional influence such as Beijing New World Department Store, Beijing Lotus Supermarket, Fujian New Huadu, Wal-mart, China Resources Vanguard, Century Lianhua, RT-Mart, Rainbow etc.; meanwhile, the Group also had 25 direct sales retail outlets of its own. Our outlets have also spanned across the coastal regions in eastern Fujian province including Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou, and are expanding rapidly in Beijing and Hangzhou.

The pace of development of the pork wholesaling segment was equally steady, generating a revenue of approximately RMB297,880,000 during the Reporting Period, accounted for 45.1% of the total revenue of the Group. Since the slaughterhouse of the Group commenced operation in August 2009, the wholesale of pork, which comprised primarily of whole hog carcasses, heads, intestines and internal organs, has been generating considerable revenue for the Company. The Group's wholesale customers mainly comprised individual pork product traders within the province and in the Yangtze River Delta Region. As of 31 December 2015, the Group has entered into contracts with 6 individual pork product traders, thus providing a stable source of revenue for the Group.

Being one of the leading pork suppliers in Fujian Province, the Group has been upholding the Company's mission of "creating gratifying life for the general public" since its incorporation. The Company was always committed to the highest standards of food safety and product quality. We have achieved perfection in farming, slaughtering to wholesaling and retailing by adopting our vertically integrated business model. During the Reporting Period, the Company continued to upgrade its farming and production facilities in Xuanhua, Hebei. The first phase of hog farm infrastructure construction of the new hog farm project of Xuanhua Putian in Hebei (500,000 hogs moving out of the curtain-barns) has fully commenced; it is estimated that breeder hogs will be introduced in the second quarter of 2016 to complement the Group's sales in the Beijing market.

Chairman's Statements (Continued)

PROSPECTS

In view of the increasing population and accelerating urbanization in China and the fact that serving of pork on the dining tables is an irreplaceable tradition in China, the pork consumption market size in China has exceeded RMB1 trillion while the overall consumption of pork in China will continue to grow. The Food and Agriculture Organization of the United Nations and Organization for Economic Cooperation and Development estimated that, by 2024, the per capita pork consumption in China will be more than 33.4 kg and the total consumption will amount to 60.78 million tons. In recent years, the government has strengthened its enforcement of the policies and regulations on food safety, people have been pursuing higher standard of hygiene and quality year by year and the pork markets have been increasingly standardized, as such, only those capable pork enterprises have rooms for continuous development.

As a listed hog farming base and pork sale company, the Group is actively expanding its sales domain in the pork market. The Group shoulders the dual responsibility of both bringing greater returns to investors and promoting the development and protection of local hogs in China and the healthy development of China's swine industry. Looking forward, the main development goals of the Company are as follows: Firstly, leveraging the geographical advantages of the black hog farming base, the Company will make the "Putian Black Pearl" to become a brand of high-end pork in the Beijing market and expand its sales coverage to other economically advanced cities in China such as Shanghai, Guangzhou, Shenzhen and Tianjin. Secondly, by establishing local hog protection and development bases nationwide, the Company will secure its advantages in terms of both industry and policy, and collect resources and breeds of various rare and precious hog in China. Thirdly, the Company will develop innovative sales model, expand its sales channels, focus on the development of black hog packages and develop membership system, so as to satisfy the demand of medium- to high-end household consumption.

The Group has formulated a systematic development plans for its high-end product line "Putian Black Pearl", including the tri-channel operation of supermarket sales, group buying and e-commerce in Beijing to build up a professional sales and management team; development of innovative products by focusing on modified atmosphere packaging and product packages; development of VIP customers by leveraging its corporate and business units and community relations, thus forming a loyal group of consumers. It is expected that "Putian Black Pearl" will become a new and key growth driver of the Group.

We believe that with the advantages of the Group gathered over years in various aspects such as business layout, production, management and network, together with the preferential policies and the tremendous industry support by the Chinese government, the influence, economies of scale and the brand equity of the Group will continue to increase.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their long-term support and trust to the Group. I would also like to thanks the management team and all staff members for all their hard work. Every stage including breeding, feeding, slaughtering and packaging has contributed to the safe and delicious pork served on our end-consumers' dining tables. Thanks to the diligent works of the staff members of the Group, "Putain" brand has become a trustworthy brand among consumers. With the advantages in terms of technologies, branding and business scale, I have full confidence in the future development of the Group. I will also make concerted efforts with the Group as a whole to make "Putian" brand "the No. 1 brand of high-end safe pork in China".

By the order of the Board
Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 30 March 2016

Management Discussion and Analysis

The Group is one of the largest vertically integrated pork suppliers among the very few companies of the same kind in Fujian Province of China and is committed to producing food products in the highest standards of safety and quality. Its integrated business model covers the entire industry chain from hog farming, hog slaughtering, pork separating to sales and distribution of pork. The main pork products of the Group included chilled whole hog carcasses, separated pork, frozen pork (for retail), and by-product of internal organs etc. The Group's production facilities comprises a hog farm in compliance with national standards, five large-scale contract farms and one slaughterhouse with a maximum annual slaughtering capacity of 2 million hogs.

INDUSTRY REVIEW

In 2015, despite the increasingly complex international geopolitical conditions and the downward pressure faced by the global economy, the Chinese economy was able to maintain stability while making progressive development in general. During the year, the GDP of the PRC was RMB67,670.8 billion, representing an increase of 6.9%. The national disposable income per capita of urban households during the year reached RMB31,195, representing an increase of 8.2% compared with the previous year. Among which, according to the information of Fujian Provincial Bureau of Statistic, in 2015, the disposable income per capita of urban households in Fujian Province reached RMB33,275, representing an increase of 8.3% compared with the previous year. There has been a rising consumer demand for high quality food as a result of the increase in disposable income and concerns over food safety issues. The Group achieved organic growth in the high-end pork products market in coastal regions of Fujian Province, where the Group maintains a leading position. However, the production volume of pork is demonstrating a year-on-year declining trend. The total meat production volume of Fujian Province amounted to 2.1655 million tons in 2015, representing an increase of 1.3%. Among which, the production volume of pork accounted for 1.3453 million tons, representing a decrease of 11.0% as compared to 2014. As at the end of the year, the number of hogs on hand stood at 10.6616 million, representing a decrease of 7.2% as compared to 2014; the number of hogs moved out of the curtain-barns was 17.0776 million, representing a decrease of 14.2% as compared to 2014.

According to the statistics of the United States Department of Agriculture, the pork consumption in China accounted for about half of the total consumption in the world in 2015. While approximately 80% of the pork in China were supplied by individual retailers, the supply was extremely vulnerable to the influence of the economic environment, and the production volume and quality of pork were unstable. Therefore, only large and medium farms that adopt standardized farming can guarantee a stable domestic supply of pork. Under the Outline of the Plan for the Development of the Hog Slaughtering Industry (2010–2015) of the PRC (《全國生豬屠宰行業發展規劃綱要(2010–2015年》) ("Outline") promulgated by the

Management Discussion and Analysis (Continued)

central government of the PRC, the central government will eliminate unqualified slaughterhouses and tighten the licensing system and strictly control the number of slaughterhouses. The Outline provides that the number of slaughterhouses for cities with population over 5,000,000 shall not exceed 4, and shall not exceed 2 for other cities at prefecture level or above. The Group's slaughterhouse is the only recognized "5-star" slaughterhouse in compliance with national standards in Putian City, Fujian Province, and our slaughtering production capacity continues to maintain a leading position in the hog industry in Fujian Province. Moreover, the influence of the "Putian" brand also increases as the sales network of the Group gradually expands to regions beyond Fujian Province.

BUSINESS REVIEW

For the year ended 31 December 2015 (the "Reporting Period"), the Group recorded revenue of approximately RMB659,862,000, representing an increase of approximately 5.7% as compared to the year ended 31 December 2014; the loss for the year was approximately RMB8,113,000; whilst the profit for the year ended 31 December 2014 was approximately RMB60,397,000.

The loss for the year was mainly attributable to the decrease in gross profit of approximately 10.1% as a result of the increase in cost of sales. It was also attributable to the increase in expenses, including (among other things): (i) the increase in finance costs of approximately RMB16,300,000 due to the increase in imputed interests of the convertible bonds (which were issued by the Company to Vandi Investments Limited on 26 June 2014); (ii) expenses of approximately RMB16,683,000 in relation to the grant of share options to certain Directors and employees of the Company on 31 March 2015; (iii) the expenses of warrants of approximately RMB6,965,000 due to the issue of warrants by the Company to investors on 9 October 2015; and (iv) the increase in administrative expenses of the newly established companies in Beijing and Xuanhua which came into operation in the second half of 2014 (such as office expenses, reception and travel expenses, salaries, share option scheme and employee welfares, and rentals, etc.) of approximately RMB11,544,000.

In order to satisfy the increasing market demand for high-end pork, the Company was building a distribution network in Beijing during the Reporting Period in anticipation of the coming launch of the black hog farm in Xuanhua, Hebei and sale of black hog products in the Beijing market. With keen market insight, the Company has also been optimising and adjusting its existing businesses in addition to upgrading the production facilities at its headquarter in Putian, Fujian.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

1. Revenue

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

	For the year ended 31 December			
	2015		2014	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Revenue				
Retail of pork	**325,058**	**49.3**	320,967	51.4
Wholesale of pork	**297,880**	**45.1**	297,880	47.7
Retail of frozen pork	**30,202**	**4.6**	5,159	0.9
Wholesale of commodity hogs	**6,722**	**1.0**	—	—
	659,862	**100**	624,006	100

The total revenue of the Group increased by 5.7% from approximately RMB624,006,000 for the year ended 31 December 2014 to approximately RMB659,862,000 for the year ended 31 December 2015. During the Reporting Period, there was an increase in the overall sales revenue and a slight decrease in gross profit. In addition, the increasing price of live pigs has helped to boost sales revenue, however, the increase of the purchase price of commodity hogs of around 60-days for contract farming has resulted in a decrease in gross profits to a certain extent. The Group has been actively enhancing and expanding its sales network and pursuing food safety as its supreme principle, thereby gaining wider recognition of "Putian" brand from the consumers.

Revenue from Retail of Pork

The Group's revenue from retail of pork increased by nearly 1.3% from approximately RMB320,967,000 for the year ended 31 December 2014 to approximately RMB325,058,000 for the year ended 31 December 2015. The Group continued to expand its sales network with a view to increase the market share of pork retailing in the target markets. As at 31 December 2015, the Group had 80 retail counters, principally including counters in supermarkets and department stores with regional influence such as New Huadu, Wal-mart, China Resources Vanguard, Century Lianhua, RT-Mart, Rainbow, etc in five cities of Fujian region, namely Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou. In Beijing, the Group launched the retail sales through certain influential counters in supermarkets or department stores such as New World and C.P. Lotus Corporation. The Company also has 25 direct sales retail outlets of its own, which are located in Putian and Fuzhou. Through internet advertising campaigns and favorable recommendations among customers, products of "Putian" brand have gradually gained recognition of being reliable and savory, particularly from those high spending consumers, who concern their living standards. The management expects that the revenue from retail of pork will increase by leveraging further expansion of the distribution networks of "Putian".

Revenue from Wholesale of Pork

The Group's revenue from wholesale of pork was approximately RMB297,880,000 for the year ended 31 December 2015, which remained stable as compared with the previous year. In the first half of the year, the selling prices were dropping as affected by regional competition of whole hog carcasses wholesale in Hangzhou, such that the Group has suspended the wholesale of whole hog carcasses in Hangzhou region to prevent the revenue from wholesale of pork from further falling.

Revenue from Retail of Frozen Pork

The revenue from the newly launched frozen pork products increased by 485.4% from approximately RMB5,159,000 for the year ended 31 December 2014 to approximately RMB30,202,000 for the year ended 31 December 2015. The frozen pork products were mainly sold to renowned meat and food processing plants in Fujian Province. The significant increase in revenue from the retail of frozen pork of the Group was mainly attributable to the superior quality of the Group's frozen pork products as well as the effective promotion and sales strategies implemented. The Group will optimize the current business by adjusting the frozen pork retailing business in the future according to market demand.

Revenue from Wholesale of Commodity Hogs

The revenue from wholesale of commodity hogs was approximately RMB6,722,000, accounting for approximately 1.0% of the total revenue for the year ended 31 December 2015. The Group will make strenuous efforts to develop high-end pork products and expand its product offerings and sales channels, so as to satisfy consumers' demand for high quality products.

2. Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2015		2014	
	RMB'000	**Gross Profit Margin (%)**	RMB'000	Gross Profit Margin (%)
Gross Profit and Gross Profit Margin				
Retail of pork	**73,598**	**22.6%**	77,541	24.2%
Wholesale of pork	**54,809**	**18.4%**	65,763	22.1%
Retail of frozen pork	**593**	**2.0%**	393	7.6%
Wholesale of commodity hogs	**178**	**2.7%**	—	—
	129,178	**19.6%**	143,697	23.0%

The overall gross profit of the Group decreased by 10.1% from approximately RMB143,697,000 for the year ended 31 December 2014 to approximately RMB129,178,000 for the year ended 31 December 2015. The overall gross profit margin of the Group decreased from approximately 23.0% for the year ended 31 December 2014 to approximately 19.6% for the year ended 31 December 2015. The decrease in gross profit was due to the increase in cost of sales.

Gross Profit and Gross Profit Margin for the Retail of Pork

The gross profit from retail of pork decreased from approximately RMB77,541,000 for the year ended 31 December 2014 to approximately RMB73,598,000 for the year ended 31 December 2015. The gross profit margin for the retail of pork decreased from approximately 24.2% for the year ended 31 December 2014 to approximately 22.6% for the year ended 31 December 2015. The decrease in gross profit and gross profit margin for the retail of pork was mainly due to the increase of the purchase price of commodity hogs of around 60-days for contract farming.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from wholesale of pork decreased from approximately RMB65,763,000 for the year ended 31 December 2014 to approximately RMB54,809,000 for the year ended 31 December 2015. The gross profit margin for the wholesale of pork decreased from approximately 22.1% for the year ended 31 December 2014 to approximately 18.4% for the year ended 31 December 2015. The decrease in gross profit and gross profit margin for the wholesale of pork was mainly due to the increase of the purchase price of commodity hogs of around 60-days for contract farming, such that the gross profit was reduced. In order to stabilize the gross profit of the existing business, the Group has suspended the wholesale of whole hog carcasses in Hangzhou region. Gross profit margin may increase gradually along with continual adjustment and optimization of the Group's business.

Management Discussion and Analysis (Continued)

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

The frozen pork business is a relatively new business of the Group. For the year ended 31 December 2015, the gross profit from frozen pork was approximately RMB593,000 (for the year ended 31 December 2014: approximately RMB393,000) and the gross profit margin was approximately 2.0%. As the retail of frozen pork is a relatively new business, the Group will closely monitor the market change and adjust the supply of frozen pork accordingly to maximize the overall gross profit of the Group.

Gross Profit and Gross Profit Margin for the Wholesale of Commodity Hogs

The wholesale of commodity hogs business is a relatively new business of the Group. For the year ended 31 December 2015, the gross profit from commodity hogs was approximately RMB178,000, and the gross profit margin was approximately 2.7%.

3. Loss for the year

For the year ended 31 December 2015, the Group recorded a loss of approximately RMB8,113,000 (for the year ended 31 December 2014, there was a profit of approximately RMB60,397,000) which was mainly due to (i) the increase in finance costs of approximately RMB16,300,000 due to the increase in imputed interests of the convertible bonds (which were issued by the Company to Vandi Investments Limited on 26 June 2014); (ii) expenses of approximately RMB16,683,000 in relation to the grant of share options to certain Directors and employees of the Company on 31 March 2015; (iii) the expenses of warrants of approximately RMB6,965,000 due to the issue of warrants by the Company to investors on 9 October 2015; (iv) the increase in administrative expenses of the newly established companies in Beijing and Xuanhua which came into operation in the second half of 2014 (such as office expenses, reception and travel expenses, salaries, share option scheme and employee welfares, and rentals, etc.) of approximately RMB11,544,000; and (v) the decrease in gross profit of approximately 10.1% due to the increase in cost of sales.

Liquidity and Financial Resources

Financial Resources

The Group primarily finances the capital requirements for our operations by internally generated cashflow and bank facilities. As at 31 December 2015, cash and cash equivalents amounted to approximately RMB3,875,000 (31 December 2014: approximately RMB79,882,000). As of 31 December 2015, the net cash generated from operating activities amounted to approximately RMB52,480,000 (31 December 2014: approximately RMB21,247,000).

Also, on 18 June 2014, the Company and the Investor entered into the subscription agreement in respect of the issue of the Convertible Bonds. The Company issued the Convertible Bonds on 26 June 2014. As at 31 December 2015, there had been no conversion of any Convertible Bond. The net proceeds and other details of the Convertible Bonds are set out in Note 28 to the consolidated financial statements.

Further, on 9 October 2015, the Company issued 160,000,000 unlisted warrants ("Warrants") at HK$0.05 each entitling nine subscribers which are members of the management of the Group to subscribe for an aggregate of up to 320,000,000 ordinary shares (with par value of HK$0.05 each) of the Company at HK$0.65 each within the period of two years ending 9 October 2017 in accordance with the terms and conditions of the relevant subscription agreement.

The price of the Warrants was HK$0.05 per Warrant (with a net issue price of approximately HK$0.045 per Warrant). The aggregate of the price of each Warrant and 2 ordinary shares of the Company to be allotted and issued upon exercise of such Warrant was HK$1.35.

Management Discussion and Analysis (Continued)

The net proceeds of issue of Warrants were approximately HK$7,223,000 (equivalent to approximately RMB5,793,000). Assuming full exercise of all Warrants, it is expected that additional gross proceeds and net proceeds of approximately HK$208,000,000 (equivalent to approximately RMB166,816,000) will be raised. Such net proceeds have been and will be applied as the general working capital of the Group. As at 31 December 2015, none of the Warrants have been exercised.

Borrowings, Bank Overdrafts and Pledged Assets

As at 31 December 2015, the total amounts of interest-bearing bank borrowings and bank overdrafts were approximately RMB140,000,000 and RMB2,793,000 respectively, which was due within one year (31 December 2014: bank borrowing of approximately RMB140,000,000) and all of which was denominated in RMB and bearing interest at floating rate. As at 31 December 2015, the bank borrowings of approximately RMB140,000,000 was pledged by the Group's property, plant and equipment and land with total carrying value of approximately RMB124,370,000 (31 December 2014: approximately RMB135,488,000).

Gearing Ratio

As at 31 December 2015, the gearing ratio of the Group was 50.3% (31 December 2014: 46.6%). This was calculated by dividing interest-bearing bank borrowing, bank overdrafts and convertible bonds by the total equity of the Group as at 31 December 2015. The increase in the gearing ratio was mainly due to the increase of bank loan, bank overdrafts and convertible bonds.

Foreign Exchange Risk

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

Material Acquisitions and Disposal of Subsidiaries

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

Operating Lease Commitments

As at 31 December 2015, the Group had operating lease commitments of approximately RMB44,699,000 (31 December 2014: approximately RMB42,737,000). Relevant expenses were mainly for the leases of direct sales outlets and the Beijing and Hong Kong offices. During the Reporting Period, relevant expenses increased due to additional direct sales outlets and the establishment of the Beijing office by the Group.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities (2014: Nil).

Capital Commitments

As at 31 December 2015, the Group had capital commitments of approximately RMB55,909,000 (31 December 2014: approximately RMB31,082,000), which mainly comprised commitments for the construction in process at Hebei and Fujian.

Human Resources

As at 31 December 2015, the Group had 512 (31 December 2014: 717) employees. Staff costs (including share option scheme, sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB45,109,000 (31 December 2014: approximately RMB27,652,000) during the Reporting Period. All of the Group's companies are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for our employees in Hong Kong, and provides our PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

Management Discussion and Analysis (Continued)

PROSPECTS

1. Stabilize and enhance the black hogs business of Fujian Tianyi by focusing on the promotion of high-end black hogs product, "Putian Black Pearl", in Beijing

With the commencement of production of the first-phase black hog farming base of more than 1,080 mu in Xuanhua District, Zhangjiakou City, Hebei Province and in view of the increase in demand for black hogs in the Beijing market, the Group is devoted to embracing the demand for high-quality pork in the market and achieving the target of building the "Number One High-quality Pork Brand in China" by enhancing the brand of "Putian Black Pearl" in the Beijing consumer market and expanding business to other economically advanced cities in China. The future development plans of the Group include: (i) adopting a multi-channel (supermarket sales, group buying, e-commerce) approach for the operation of the Beijing company to build up professional teams and carry out professional management; (ii) developing innovative products by focusing on modified atmosphere packaging and product package; and (iii) developing VIP customers by leveraging its corporate and business units and community relations, thus forming a loyal group of consumers and turning the high-end black hogs business into a new growth driver. In order to support the sales of the high-end black hogs, "Putian Black Pearl", and other pork products, the Group plans to establish approximately 34 new retail outlets in Walmart, Sam's Club and Carrefour in Beijing in 2016. The Group will also develop new black hogs-related products and launch various black hogs product packages targeting different consumer groups, such as Nutritional Family Package, Filial and Longevity Package, Expectant Mothers' Package, etc., which are planned to be launched in Fujian and Beijing regions.

2. Formulate overall layout for online business, striving to establish an online sales platform for the entire industry chain

The Group will work diligently on brand building activities, formulation of the overall layout of the platform, comprehensive operation of the online platform and the development and full operation of the O2O model for the community, thereby forming a green, secured and convenient online sales service model for the public. Currently, the Group is formulating the overall layout for online business, preparing for the full operation of the O2O model for the community as well as conducting brand building activities through both new media and network. The Group plans to enhance the promotion and sales of various channels comprehensively, so as to create an online sales model for the entire industry chain and establish a consolidated operation platform for the development and protection of breeder hogs in the PRC. Meanwhile, the Group will also continue to use the e-commerce platform to deepen corporate brand building online, to strengthen online product sales, and to encourage consumers' participation in virtual farming and other activities for building the corporate culture. These efforts will demonstrate the Group's excellent "business operation model and processes" and promote the Chinese food culture and high quality pork consumption culture, which will in turn foster mid-high end consumers' recognition of and loyalty to pork products of our "Putian" brand, thereby facilitating a thorough customer understanding on the entire product production process and making "Putian" pork a popular product among customers, and eventually achieving a new sales record of the Group.

3. Establish hog farms to meet market demand

The Group has established new hog farms in Putian and the construction of which was financed by the proceeds from listing and internal capital. All hog farms were constructed in accordance with the standards of the existing hog farms of the Group. It has introduced breeder hogs starting from March 2016 and the number of breeder hogs on hand will be approximately 5,000 by the end of the year, which will be mainly used for producing "Putian" black hogs. In addition, the Group's Xuanhua Project in Hebei will commence production in August 2016 and the number of breeder hogs on hand by the end of the year is expected to be approximately 2,100, which will be mainly used for producing local hogs in China. The construction of new hog farms will be beneficial to the Group to (i) capitalize on the ever-growing market demand; (ii) better utilize the production capacity of the Group's slaughterhouses; (iii) reduce the Group's reliance on contract farmers; (iv) reduce the Group's reliance on suppliers of commodity hogs; and (v) guarantee the number and quality of live pigs of the Group. It is expected that the Group will record significant growth in its annual income upon completion and commencement of production of the new hog farms.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Cai Chenyang (蔡晨陽), aged 46, is a cousin of Mr. Cai Haifang and Mr. Cai Qing and the elder brother of Ms. Cai Shengyin. Mr. Cai Chenyang became a director of the Company ("Director(s)") on 27 May 2011 and has been redesignated as an executive Director and appointed as the chairman and the chief executive officer of the Company since 7 February 2012. He is also the sole shareholder and sole director of Zhan Rui Investments Limited (展瑞投資有限公司) ("Zhan Rui") and a controlling shareholder of the Company.

Mr. Cai Chenyang has over 14 years of corporate managerial experience. He commenced his career as an entrepreneur in 2001 when he founded Anhui Tianyi Investments Limited (安徽天怡投資有限公司) ("Anhui Tianyi") in Anhui Province of the PRC which was engaged in the business of real estate development. Mr. Cai Chenyang worked in the Sixth Engineering Architect Department of the Navy of the Liberation Army of the PRC (中國人民解放軍海軍第六工程建築處) as an engineer from around August 1998 to 2001.

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

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

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

Cai Haifang (蔡海芳), aged 37, is a cousin of Mr. Cai Chenyang and Ms. Cai Shengyin and Mr. Cai Qing. Mr. Cai Haifang has been an executive Director since 7 February 2012.

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

Cai Shengyin (蔡盛蔭), aged 39, is the younger sister of Mr. Cai Chenyang and a cousin of Mr. Cai Haifang and Mr. Cai Qing. Ms. Cai Shengyin has been an executive Director since 7 February 2012.

Biographical Details of Directors and Senior Management (Continued)

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Zirong (蔡子榮), aged 64, has been an independent non-executive Director since 7 February 2012. Mr. Cai Zirong has over 35 years of experience in financial management. In the period from June 1978 to October 1988, he was the assistant battalion chief of the Finance Unit of the Logistic Department of the 93rd Division (93師後勤部財務科正營級助理員). He has been working in the People's Bank of China as senior management for almost 24 years. He was the Deputy Governor of the People's Bank of China of Putian County from January 1990 to November 1996 and was promoted to the position of Governor in December 1996. From February 2004 to October 2006, Mr. Cai Zirong worked as the Governor of the People's Bank of China of Xianyou County (仙游縣). He was elected as a representative of the 4th People's Congress of Putian City from year 2001 to 2005. Since September 2006, he has been of the rank of Section Chief of the publicity department of Putian City centre branch of the People's Bank of China. Mr. Cai Zirong graduated from People's Liberation Army Nanchang Army School (中國人民解放軍南昌陸軍學校) (now known as People's Liberation Army Nanchang Army College (中國人民解放軍南昌陸軍學院)) with a certificate in finance in 1985.

Wu Shiming (吳世明), aged 40, has been an independent non-executive Director since 7 February 2012. He has been the supervisor of the Xiamen Bank Company Limited (廈門銀行股份有限公司) since December 2008. He is a qualified intermediate accountant and he was awarded such qualification in December 2001 by the Ministry of Finance after having passed the national examination jointly organised by the Ministry of Finance and the Ministry of Personnel of the PRC which covered four examination papers, of which two are related to accounting practice (intermediate level), one is in financial management and one is in Economic Law.

Mr. Wu has over 19 years of experience in accounting and financial management. Mr. Wu joined Xiamen Sumpo Group Company Limited (廈門森寶集團有限公司) ("Xiamen Sumpo") in July 1995 as a cashier. He became an accountant in Xiamen Sumpo in January 1996. From January 1998 to November 2001, he was the financial manager of Xiamen Sumpo. Mr. Wu became the general manager of the Guangzhou branch of Xiamen Sumpo in December 2001 and remained in office until January 2007. Mr. Wu became the deputy general manager of Xiamen Sumpo Electronic Technology Group Limited (廈門森寶電子科技集團有限公司) in May 2007 and held such position until January 2008. From January 2008 to October 2010, Mr. Wu was the chief financial officer of Xiamen Sumpo. Mr. Wu became the deputy chief executive officer of the major operating subsidiary of Leyou Technologies Holdings Limited (樂遊科技控股有限公司) (formerly known as Sumpo Food Holdings Limited (森寶食品控股有限公司)) ("Leyou", together with its subsidiaries, "Leyou Group"), a company listed on the Stock Exchange (Stock Code: 1089) in November 2010, overseeing its financial and operational performance (including internal control). He is currently an executive director of Leyou in charge of the overall strategic management and the financial management of Leyou Group. Since July 2014, September 2014 and May 2015, Mr. Wu has been an independent director of Yueshou Environmental Holdings Limited the shares of which are listed on the Stock Exchange (Stock Code: 1191), Pak Tak International Limited the share of which are listed on the Stock Exchange (Stock Code: 2668) and Theme International Holdings Limited (the shares of which are listed on the Stock Exchange (Stock Code: 990)) respectively.

Biographical Details of Directors and Senior Management (Continued)

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

Wang Aiguo (王愛國), aged 59, has been an independent non-executive Director since 28 May 2014. He was a lecturer of the Faculty of Animal Husbandry of Shanxi Agricultural University and devoted himself in the teaching and scientific research in animal heredity breeding. Mr. Wang has worked in the China Agricultural University since 1993 and is now the college professor and instructor for doctorate students in the College of Animal Science and Technology of China Agricultural University, mainly engaging in the teaching and scientific research on animal heredity and rearing of pigs.

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

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

SENIOR MANAGEMENT

Chen Jinliang (陳金良), aged 48, joined the Group in April 2005 as the manager of the chief executive office and was promoted to the deputy general manager in October 2005. In February 2015, he was promoted to the post of Vice-president and has been responsible for the Group Administration Department.

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

Yang Zhihai (楊志海), aged 39, joined Fujian Tianyi as the deputy chief of the production department in October 2005 and was promoted as the chief of the production department in March 2011. In September 2014, he was promoted to the post of Deputy General Manager of the Group Cultivation Department. Since July 2000, he has worked in Fujian Agriculture University Food Experimental Factory (福建農業大學食品實驗廠) as a technician, production manager and deputy chief of the factory till 2003. In June 2003, Mr. Yang joined Yonghui Industrial Development Company (永輝工業發展有限公司) where he was responsible for its production management and quality control. Mr. Yang participated in the design, construction and establishment of the Group's hog farms and slaughterhouse. Mr. Yang is responsible for, amongst others, the advancement of the Group's production technology, product quality control and logistic flow. Mr. Yang obtained a diploma in food nutrition and quarantine from Fujian Agricultural University (福建農業大學) (now known as Fujian Agriculture and Forestry University (福建農林大學)) in July 2000.

Cai Qing (蔡青), aged 33, a cousin of Mr. Cai Chenyang, Ms. Cai Shengyin and Mr. Cai Haifang, joined Fujian Tianyi in April 2005 and assisted the establishment of Fujian Tianyi and the construction of the Group's hog farm. He became a senior staff of the sales department of Fujian Tianyi in March 2006 and was responsible for market research and development for Fujian Tianyi's products. During the period between July 2007 and December 2009, Mr. Cai Qing was the manager of the marketing department of Fujian Hanjiang Bee Products Developing Centre (福建省涵江蜂產品開發中心). In January 2010, he re-joined Fujian Tianyi and had been the manager of the sales department, responsible for market development in Fuzhou (福州) and Quanzhou (泉州), until he was promoted to be chief of sales department in May 2011. Mr. Cai Qing graduated from Fujian Normal University (福建師範大學) with a diploma in urban landscape gardening (城市園林花卉) in 2005 and obtained a diploma in project management from Xiamen University (廈門大學) in July 2012.

Biographical Details of Directors and Senior Management (Continued)

COMPANY SECRETARY

Ku Kin Shing, Ignatius (谷建聖), aged 54, joined the Group in May 2011 as the financial controller. He is responsible for the financial reporting matters of the Group in Hong Kong, including preparation of financial reports and ensuring the Group's compliance with the Listing Rules and other statutory requirements. In addition, he is responsible for implementing internal control and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of the Group's financial matters.

Mr. Ku has over 23 years of experience in finance and accounting and had worked in an international accounting firm prior to joining the Group. He previously held the position of financial controller in a listed company in Singapore. Mr. Ku holds a Bachelor of Commerce (Accounting) degree from the University of Canberra, Australia. He is a member of the Australian Society of Certified Practicing Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ku has been an executive Director of China Putian Food Development Company Limited (an indirect wholly owned subsidiary of the Company) since 3 December 2013. Since 1 July 2015, Mr. Ku has been an independent director of Centron Telecom International Holding Limited the shares of which are listed on the Stock Exchange (Stock Code: 1155).

Corporate Governance Report

INTRODUCTION

The directors of the Company (the "Directors") are pleased to present the corporate governance report for the year ended 31 December 2015 as follows.

The board of Directors of the Company ("Board") is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relations with its employees, business partners, shareholders and investors.

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

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2015, the Company has complied with the Code Provisions with the following exceptions:

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

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

COMPLIANCE WITH DEED OF NON-COMPETITION (IF APPLICABLE)

The Company has received a confirmation (the "Confirmation") from Zhan Rui Investments Limited and Mr. Cai Chenyang (the "Covenantors") signed by them on 30 March 2016 respectively confirming that for the period from 1 January 2015 to 31 December 2015 and up to the date of signing the Confirmation by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 22 June 2012 (the "Deed of Non-Competition") and, in particular, they and their respective associates have not, directly or indirectly, carry on or be engaged or interested in (i) production and sale of pork products; (ii) sale of hogs; (iii) sale of side products produced during the production process of pork products; (iv) slaughtering and processing of hogs; and (v) any other business which, directly or indirectly, compete or may compete with the business previously carried on by or other business that may be carried on by the Group.

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

Corporate Governance Report (Continued)

DIRECTORS

The Board

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

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

Board Composition

There are currently 6 Directors, responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board currently comprises the following Directors:

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

Independent Non-executive Directors
Mr. Cai Zirong
Mr. Wang Aiguo
Mr. Wu Shiming

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

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

Details of the biographies of the Directors are given under the section "Biographic Details of Directors and Senior Management" of this annual report on pages 13.

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

The independent non-executive Directors play an important role on the Board. Accounting for 3 of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. Throughout the year of 2015, 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.

Corporate Governance Report (Continued)

Number of meetings attended in 2015

During the year of 2015, the Board held 4 regular meetings at about quarterly intervals and 3 additional meetings which were held regarding special matters which required the Board's decisions .

As regards general meetings, the Company held the annual general meeting on 29 June 2015 and an extraordinary general meeting on 22 September 2015 to consider the matters regarding issue of unlisted warrants. A table summary in regard to the Directors' participation at the various Board meetings and the Company's general meetings is set out below. Directors' participation at the meetings of the audit committee of the Company ("Audit Committee"), the nomination committee of the Company ("Nomination Committee"), and the remuneration committee of the Company ("Remuneration Committee") (collectively, the "Board Committees") is set out at paragraph headed "Board Committees" of this section below.

Meetings Held in 2015

	Regular Board Meetings	Additional Board Meetings concerning Special Matters requiring the Board's Decisions	General Meetings
Executive Directors			
Cai Chenyang *(chairman)*	4/4	3/3	2/2
Cai Haifang	4/4	3/3	2/2
Cai Shengyin	4/4	3/3	2/2
Independent non-executive Directors			
Cai Zirong	4/4	3/3	2/2
Wang Aiguo	4/4	3/3	2/2
Wu Shiming	4/4	3/3	2/2

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 (if any).

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

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

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

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

Corporate Governance Report (Continued)

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

Chairman and Chief Executive

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

The core duties of the Chairman include:

- overseeing the development of the long-term strategies, objectives and policies for the Company;
- ensuring, with the assistance of the management, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, and discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- taking primary responsibility for ensuring that good corporate practices and procedures are in place;
- ensuring, with (where appropriate) delegation to Company Secretary or a designated Director, that the agenda for each Board meeting are drawn up and approving the same, taking into account matters proposed by other Directors;
- encouraging all Directors to fully and actively contribute to the Board's affairs and taking the lead to ensure that it acts in the best interests of the Company;
- encouraging all Directors to express different views and discuss issues in sufficient depth before reaching any consensus in board decisions;
- promoting a culture of openness and debate by facilitating the effective contribution of Directors, in particular, non-executive Directors, and promoting the constructive relations between executive and non-executive Directors;
- holding meeting(s) at least annually with the independent non-executive Directors without the executive Directors present. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed;
- ensuring the effective communication between the Board and the shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by shareholders) of corporate communications required by the Listing Rules; (ii) the annual general meeting which provides a forum for shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows the shareholders of the Company to acquire the updated and key information on the Group and to provide feedback for the Company;

Corporate Governance Report (Continued)

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

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

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

Under article 84 of the Company's article of association (the "Articles of Association"), at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring Directors shall be eligible for re-election.

In accordance with the said provision of the Articles of Association and the Code Provision A.4.1, at the last annual general meeting of the Company ("AGM") held on 29 June 2015, Mr. Cai Haifang and Mr. Cai Zirong retired from office by rotation pursuant to Articles 84 and offered themselves for re-election. Mr. Cai Chenyang, Ms. Cai Shengyin and Mr. Wu Shiming, whose terms had been extended/renewed before the last AGM, also offered themselves for re-election at the last AGM to enhance standard of corporate governance. At that AGM, Mr. Cai Zirong and Mr. Wu Shiming were re-elected to hold office until the conclusion of the annual general meeting of the Company of 2018, whereas Mr. Cai Chenyang, Mr. Cai Haifang, and Ms. Cai Shengyin were re-elected and there would be no specific term for them.

Independent Non-executive Directors

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

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

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

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

Name of independent non-executive Director	Terms of Appointment
Cai Zirong	a term of 3 years until the conclusion of the annual general meeting of the Company in 2018
Wang Aiguo (appointed on 28 May 2014)	a term of 3 years until the conclusion of the annual general meeting of the Company of 2017
Wu Shiming	a term of 3 years until the conclusion of the annual general meeting of the Company in 2018

Corporate Governance Report (Continued)

Nomination of Directors

The Board has established the Nomination Committee to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s).

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

Responsibilities of Directors

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

A package compiled and reviewed by the Company’s legal advisors setting out such duties and responsibilities under the Listing Rules, Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The package also includes information relating to the operations and business of the Group. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time. Readings regarding corporate governance for Directors have been forwarded to each Director for his/her information and ready reference.

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

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

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

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

Corporate Governance Report (Continued)

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2015 to 31 December 2015:

Directors	Read materials	Attend seminars/ briefings
Executive Directors		
Cai Chenyang	√	√
Cai Haifang	√	√
Cai Shengyin	√	√
Independent Non-executive Directors		
Cai Zirong	√	√
Wang Aiguo	√	√
Wu Shiming	√	√

Securities Transactions Guidelines

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

Specific enquiries have been made with all Directors and they have confirmed that throughout the year ended 31 December 2015, 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 2015 are set out on pages 40 to 41 of this annual report.

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

DELEGATION BY THE BOARD

Management Functions

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

Corporate Governance Report (Continued)

The functions reserved to the Board and those delegated to management have been formalised. On 22 June 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The Board has reviewed the said memorandum on periodically basis to ensure that it remains appropriate. The policy for segregation of duties and responsibilities between the Board and the management has been clearly defined and provided in the said memorandum as internal guidelines of the company.

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

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

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

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

Corporate Governance Report (Continued)

- Delegating their functions does not absolve Directors from their responsibilities or from applying the required levels of skill, care and diligence.

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

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

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

Board Committees

In 2015, the Board had 3 Board Committees, which are the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committee at the meetings of the Board Committees in 2015 is as follows:

Independent non-executive Directors	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Mr. Cai Zirong	2/2	1/1	1/1
Mr. Wang Aiguo	2/2	1/1	1/1
Mr. Wu Shiming	2/2	1/1	1/1

Nomination Committee

The Nomination Committee was established on 22 June 2012. All of the members are independent non-executive Directors. This Committee is chaired by Mr. Wang Aiguo with Mr. Cai Zirong and Mr. Wu Shiming as members. The Committee held 1 meeting during 2015.

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

Corporate Governance Report (Continued)

The main duties of the Nomination Committee include the following:

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

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

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

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

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

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

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

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

The work performed by the Committee during 2015 included:

- reviewing policy for nomination of Directors;

- reviewing the current Board structure, diversity and composition;

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

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

- reviewing the training and continuous professional development of Directors.

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

In relation to the nomination procedure:

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

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

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

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

5. Conduct verification on information provided by the candidate.

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

In relation to the nomination criteria:

1. Common Criteria for All Directors:

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

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

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

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

   (f) Breadth of knowledge about issues affecting the company

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

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

   (i) Fit with the company's culture

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

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

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

   (c) Outstanding professional and personal reputation

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

Board Diversity Policy

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

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

Under the Board Diversity Policy, in designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Board has set measurable objectives (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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

Remuneration Committee

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

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

The Remuneration Committee was established on 22 June 2012 pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

Corporate Governance Report (Continued)

During 2015, the Remuneration Committee accomplished the following:

- reviewing the emolument policy and structure and the levels of remuneration paid to the Directors and senior management of the Group;
- assessing the performance of executive Directors;
- approving the terms of executive Directors' service contracts;
- determining the remuneration packages of all the executive Directors and senior management (including salaries, bonuses, benefits in kind, the terms on which they participate in any share or other incentive scheme and any provident fund or other retirement benefit scheme and compensation payments (including any compensation payable for loss or termination of their office or appointment)) taking into consideration salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- reviewing the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive; and
- reviewing new framework for determining the remuneration package in the coming year

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

Emolument Policy and Long-Term Incentive Plan

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

The remuneration package of executive Directors is designed so that a proportion is structured to link rewards to corporate and individual performance, and gives incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The independent non-executive Directors' compensation relates to the time commitment and responsibilities. They receive fees which comprise Directors' fee, which is usually paid annually.

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

Audit Committee

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

Corporate Governance Report (Continued)

The Audit Committee usually meets 2 times a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal controls and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee is governed by its terms of reference revised on 28 August 2015. The terms of reference are made available on the Company's website www.putian.com.hk and HKEx's website www.hkex.com.hk.

The Audit Committee meetings are normally attended by the Company's financial controller. When meetings concern the routine finance control, the head of the internal control department of the Company also attends the meeting to report on the problems identified during the internal control audits and recommendation of methods to alleviate and solve the problems identified. The external auditors are often present on discussion of the audit of financial results and audit planning.

The work performed by the Audit Committee during 2015 included consideration of the following matters:

- the completeness and accuracy of the 2014 annual and 2015 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- review of the effectiveness of the system of internal control of the Group;
- review of the adequacy of resources of the internal audit department and effectiveness of the internal audit function;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2015; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. HLB Hodgson Impey Cheng Limited as the external auditors, which the Board agreed and accepted

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

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting of the Company, Messrs. HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditor for 2016.

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT

As at 31 December 2015, the Company had net assets of approximately RMB593 million, the Company recorded a loss attributable to equity holders of the parent of approximately RMB8 million for the year ended 31 December 2015.

Financial Reporting

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

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

The statement by the external auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on pages 46 to 47.

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 48 to 119 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 "Managerial Discussion and Analysis" set out in pages 6 to 12 in this annual report.

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

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

Internal Controls

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

Corporate Governance Report (Continued)

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 Company has an internal audit function, and the Audit Committee also reviews the internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

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

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

For the year of 2015, no critical internal control issues have been identified.

Connected Transactions

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

Auditors' Remuneration

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

Audit services	RMB1 million
Non-audit services (which include taxation compliance and agreed upon procedures)	HK$8,300

COMPANY SECRETARY

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

Since Mr. Ku Kin Shing, Ignatitus was appointed on May 2011, he has to take no less than 15 hours of relevant professional training during the year 2015. He has fulfiled the requirement during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Key Investor Events in 2015

Date	Events
29 June 2015	Meeting with fund managers
5 October 2015	Meeting with fund managers

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

Also, at the AGM held on 29 June 2015 and the EGM held on 22 September 2015, separate resolutions (if any) for each substantially separate issue were proposed (if there is any).

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

The external auditor of the Company, Messrs. HLB Hodgson Impey Cheng Limited also attended the AGM held on 29 June 2015 to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Voting by Poll

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

Shareholders' Rights to Convene an Extraordinary General Meeting

Under Article 58 of the Articles of Association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report (Continued)

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

Based on the requirement of the Code, the Shareholders Communication Policy was formulated and adopted on 22 June 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders. The effectiveness of shareholders communication under the Shareholders Communication Policy had been reviewed by the Board at the 30 March 2015 Board meeting during the year 2015.

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

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

Constitutional Documents

The shareholders of the Company at the annual general meeting of the Company on 29 June 2015 have resolved to approve the subdivision of each issued and unissued share of HK$0.1 each in the share capital of the Company into 2 shares of HK$0.05 each, with effect from 2 July 2015. Save as the aforesaid, during the period from 1 January 2015 to 31 December 2015, there are no changes to the Company's memorandum and articles of association. An up-to-date version of the Company's memorandum and articles of association are available on the Company's website and the website of the Stock Exchange.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency possible. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website http://www.putian.com.hk. Enquiries and proposals to be put forward at shareholder meetings can also be sent to the Board or senior management by the methods set out in the section headed "Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings" above.

Report of the Directors

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDEND

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at the said date are set out in the consolidated financial statements on pages 48 to 119.

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, part of which are extracted from the published financial statements and the prospectus of the Company dated 28 June 2012 (the "Prospectus") and restated/reclassified as appropriate, is set out on page 120 of this report.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch share register of members will be closed from Thursday, 2 June 2016 to Wednesday, 8 June 2016, both days inclusive, on which no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 8 June 2016, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Wednesday, 1 June 2016 with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, the details of which are disclosed below and Note 29 to the consolidated financial statements, no equity-linked agreement was entered into by the Company during 2015 or subsisted at the end of 2015.

SHARE OPTION SCHEME

The purpose of the share option scheme approved and adopted by the Company on 22 June 2012 and becoming effective on 13 July 2012 (the "Share Option Scheme") is to recognise and motivate the contribution of its participant (including any employees, directors, or proposed director of any member of the Group, consultant, adviser, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group) and to provide incentives and help the Company retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The Company, by resolution in general meetings, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered, but in respect of any option granted but not exercised, the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the effective date of the Share Option Scheme, after which no further options will be granted, but in respect of any option granted but not exercised, the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any such options.

The total number of shares ("Shares") in the share capital of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of Shares in issue as at the effective date of the Share Option Scheme (i.e. 160,000,000 Shares which represent 10% of the issued share capital as at the date of this annual report). The Company may seek approval of its shareholders in general meeting to refresh the said 10% limit provided that the limit so refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshment. Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (i.e. 480,000,000 Shares which represent 30% of the issued share capital as at the date of this annual report).

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

Report of the Directors (Continued)

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

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

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

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

As at 1 January 2015, the Company had not granted any option under the Share Option Scheme. On 31 March 2015, the Company granted shares option to subscribe for 80,000,000 shares with par value of HK$0.1 each (i.e. 160,000,000 shares with par value of HK$0.05 each after the subdivision of each share in the Company of par value of HK$0.1 each into 2 shares of par value of HK$0.05 each on 2 July 2015 (the "Share Subdivision")) under the Share Option Scheme of which options to subscribe for 79,840,000 shares with par value of HK$0.1 each (i.e. 159,680,000 shares with par value of HK$0.05 each after adjustment as a result of the Share Subdivision) were accepted by the grantees. The exercise price of those share options is HK$0.595 per share with par value of HK$0.05 each after adjustment as a result of the Share Subdivision. The closing price of the share (with par value of HK$0.1 each) immediately before the date of grant is HK$1.16 (i.e. HK$0.58 after adjustment as a result of the Share Subdivision).

The terms, conditions and number of the grant are as follow:

Grantee	Exercisable period	Exercisable price per share (adjusted by Share Subdivision on 2 July 2015)	No. of shares which may be issued upon exercise of the relevant option granted on 31 March 2015 (adjusted by Share Subdivision on 2 July 2015)	Lapsed during the period	Exercises during the period	Cancelled during the period	Balance at 31 December 2015
		(HK$)	('000)	('000)	('000)	('000)	('000)
Executive Directors							
— Mr. Cai Chenyang	31 Dec 2015 to 30 Mar 2025	0.595	21,000	—	—	—	21,000
	31 Dec 2016 to 30 Mar 2025	0.595	24,960	—	—	—	24,960
	31 Dec 2017 to 30 Mar 2025	0.595	26,480	—	—	—	26,480
— Ms. Cai Shengyin	31 Dec 2015 to 30 Mar 2025	0.595	1,420	—	—	—	1,420
	31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
	31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
— Mr. Cai Haifang	31 Dec 2015 to 30 Mar 2025	0.595	1,220	—	—	—	1,220
	31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
	31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	—	1.600
Employees of the Group	31 Dec 2015 to 30 Mar 2025	0.595	11,020	—	—	—	11,020
	31 Dec 2016 to 30 Mar 2025	0.595	17,840	—	—	—	17,840
	31 Dec 2017 to 30 Mar 2025	0.595	20,400	—	—	—	20,400
			130,740	**—**	**—**	**—**	**130,740**

PRE-EMPTIVE RIGHTS

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

RESERVES

The Company did not have any reserves available for distribution to the Shareholders as at 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the percentage of revenue from sales of goods attributable to the largest customer is 8.83%; and the percentage of revenue from sales of goods attributable to the 5 largest customers combined is 40.87%. For the year ended 31 December 2015, the largest and five largest suppliers of the Group accounted for approximately 10.83% and approximately 44.58% of the Group's total purchases respectively.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2015.

DIRECTORS AND RE-ELECTION OF DIRECTORS

The Directors of the Company during the year of 2015 and up to the date of this report were :

Executive Directors:

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

Independent non-executive Directors:

Mr. Wu Shiming
Mr. Cai Zirong
Mr. Wang Aiguo

In accordance with Article 84 of the Articles of Association of the Company, Mr. Wang Aiguo and Mr. Wu Shiming shall retire from office by rotation at the conclusion of the forthcoming annual general meeting of the Company and they, being eligible, will offer themselves for re-election thereat.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of this report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in this annual report, no Director and no entity connected with a director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' REMUNERATION

For the year ended 31 December 2015, the shareholders of the Company authorise the Board to fix the Directors' remuneration. Pursuant to the terms of reference of remuneration committee, emoluments of executive Directors and senior management are determined by the remuneration committee with reference to market conditions, time commitment, responsibilities and performance and the results of the Group.

SHARE CHARGE BY THE CONTROLLING SHAREHOLDER

On 26 June 2014, Zhan Rui Investments Limited ("Zhan Rui"), a controlling shareholder of the Company, entered into a deed of share charge in favour of Vandi Investments Limited (the "Investor"), the detail of which are disclosed in Note 28 to the consolidated financial statements.

COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

Pursuant to the bond instruments constituting the convertible bonds (the "Convertible Bonds") in the principal amount of HK$200,000,000 equivalent to approximately RMB146,860,000 due 2017 with an annual interest rate of 9.5% payable semi-annually and bear an administrative fee of 1.0% per annum payable semi-annually in arrears issued by the Company to the Investor, the holders of the Convertible Bonds shall have the right to require the Company to redeem the Convertible Bonds in full during the continuance of the events of default. The events of default are, among others, the cessation of Mr. Cai Chenyang, an indirect controlling shareholder of the Company and the chairman of the Board, as the single largest legal and beneficial owner of the issued shares or the controlling shareholder of the Company, the cessation of Mr. Cai Chenyang as the 100% legal and beneficial owner of the issued shares in Zhan Rui and the resignation or cessation of Mr. Cai Chenyang as the chairman of the Board.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register of interest required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares and underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation and beneficial owner	888,440,000	55.53%
Mr. Cai Haifang (Note 2)	Beneficial owner	4,420,000	0.28%
Ms. Cai Shengyin (Note 3)	Beneficial owner	4,620,000	0.29%

Notes:

(1) Among the 888,440,000 shares/underlying shares held, Mr. Cai Chenyang was deemed to be interested in 816,000,000 shares of the Company, which were held by Zhan Rui Investments Limited ("Zhan Rui"), a corporation controlled by Mr. Cai Chenyang, while he held derivative interest in 72,440,000 underlying shares as beneficial owner pursuant to physically settled equity derivatives.

(2) Mr. Cai Haifang held derivative interest in 4,420,000 underlying shares in the Company as beneficial owner pursuant to physically settled equity derivative.

(3) Ms. Cai Shengyin held derivative interest in 4,620,000 underlying shares in the Company as beneficial owner pursuant to physically settled equity derivative.

Short position in the shares and underlying shares of the Company

Name	Nature of interest	Number of shares/ underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation	816,000,000	51%

Note:

(1) Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, is deemed to have a short position of 816,000,000 shares of the Company which has been charged to Vandi Investments Limited.

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive 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 SFO) which would have to be recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or which would otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholder's and Other Personal Interest in Shares

As at 31 December 2015, the interest and short position of the persons (other than the directors or chief executive of the Company) in shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares/underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (Note 1)	Beneficial owner	816,000,000	51%
Ng Leung Ho	Beneficial owner	92,240,000	5.77%
China Construction Bank Corporation (Note 2)	Interest of controlled corporation/ security interest in shares	1,123,692,307	70.23%
Central Huijin Investment Ltd. (Note 3)	Interest of controlled corporation/ security interest in shares	1,123,692,307	70.23%

Notes:

(1) Mr. Cai Chenyang was deemed to be interested in 816,000,000 shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.

(2) Such long position includes (a) security interests in 816,000,000 shares of the Company and (b) derivative interests in 307,692,307 underlying shares of the Company held by Vandi Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation pursuant to physically settled equity derivatives.

(3) Such long position includes (a) security interests in 816,000,000 shares of the Company and (b) derivative interests in 307,692,307 underlying shares of the Company held by Vandi Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation, of which Central Huijin Investment Ltd. has 57.26% control pursuant to physically settled equity derivatives.

Short position in the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares/underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (Note 1)	Beneficial owner	816,000,000	51%

Note:

(1) Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, was deemed to have a short position of 816,000,000 shares of the Company held by Zhan Rui and charged to Vandi Investments Limited.

Save as disclosed above, as at 31 December 2015, no person (other than the directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as those disclosed in the paragraph "Share Option Scheme" in this section and in the Notes 29 to the consolidated financial statements, at no time during the year ended 31 December 2015 was the Company or any of its parent companies, subsidiary undertakings or its parent companies' subsidiary undertakings a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTION

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

The related party transactions in relation to the key management personnel remuneration as disclosed in Note 11 and Note 12 to the consolidated financial statements in this annual report are connected transactions exempt from annual reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director of the Company is or was during 2015 engaged in or has or had during 2015 any interest in any business which is likely to compete directly or indirectly with that of the Group.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

MANAGEMENT CONTRACTS

No contract, other than service contracts with directors or full-time employees of the Company, by which a person undertakes the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2015.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's articles of association, the directors of the Company for the time being acting in relation to any of the affairs of the Company and everyone of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Also, the Company has maintained appropriate director liability insurance in respect of legal actions against its Directors arising out of corporate activities. Such provisions were in force throughout the year under review and remained in force when this report was approved by the Board.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

BUSINESS REVIEW

Details of the business review of the Company for the year ended 31 December 2015 are set out in the sections headed "Chairman's Statements" and "Management Discussion & Analysis" of this annual report, and the following sections in this report.

DETAILS OF IMPORTANT EVENTS

The Board was not aware of any important event affecting the Group from the end of the year under review to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are those set out in note 19 and note 36 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to cultivating its staff's awareness of caring and protecting the environment. It conducts its business in a manner that balances the environment and economic needs.

The Group complies with all relevant environment regulations. The Group has taken several initiatives to protect the environment, including, among others, the followings:

— Adopting an environmentally friendly waste management system. Instead of using the traditional waste management system which consumes a massive amount of water and produces a large amount of wastewater, the Group covers the floor of curtain-barns in the Group's hog farm with sawdust to absorb and mix with hog wastes so that after the hogs are removed from the curtain-barns, such mixture can be readily removed from the curtain-barns and subsequently be fermented to transforming into organic fertilisers; and

— Filtering the wastewater produced during the operation of the Group's slaughterhouse by the Group's on-site wastewater disposal system in order to reduce the level of pollutants to an acceptable level in accordance with the Standards of Wastewater & Pollutant Emission by Meat Processing Industry (GB13457-92) (《肉類加工工業水污染物排放標準》(國家標準GB13457-92)). The on-site wastewater disposal system is directly linked to the designated sewage network of the local government which centrally disposes wastewater, such that the wastewater treated and discharged from the Group's slaughterhouse would only have a minimal adverse effect on the surrounding environment.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group and its activities are subject to laws and regulations, including but not limited to:

— Law of Animal Epidemic Prevention of the PRC (中華人民共和國動物防疫法)

— Stock-breeding Law of the PRC (中華人民共和國畜牧法)

— Food Safety of the PRC (中華人民共和國食品安全法)

— Law of the Quality and Safety Agricultural Products of the PRC (中華人民共和國農產品質量安全法)

— Law of Prevention and Treatment of Water Pollution of the PRC (中華人民共和國水污染防治法)

— Environmental Protection Law of the PRC (中華人民共和國環境保護法)

Report of the Directors (Continued)

During the year ended 31 December 2015, the Group has complied with the aforesaid laws and regulation, which have a significant impact on the Group.

Moreover, the Company is also subject to the Listing Rules. The Company entered into certain notifiable transactions in around 2012 and 2013 but has not complied with relevant requirements in accordance with Chapter 14 of the Listing Rules. The Company will publish announcement to inform the public the relevant details as soon as possible.

Save as disclosed, the Company has complied with the Listing Rules during the year ended 31 December 2015.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Relationship with our employees

The Group evaluates its employees or potential employees during recruitment, retention and promotion process irrespective of their races, genders, cultures or physical condition. The Group values its staff as its most important assets and resources as they help the Group to sustain its core values and culture. The Group offered on-job training and encouraged its staff to attend external training courses to develop personal skills.

Relationship with our suppliers

The Group's suppliers include suppliers of raw material for hog feds and hogs (collectively "Raw Materials"), which are chosen based on their product quality, reliability of supply and product price. The Group has conducted inspections on the potential suppliers of Raw Materials and compiled a list of qualified suppliers which is reviewed and amended regularly. The purchase department of the Group will place orders to those suppliers that are on the list. Spot checks will be conducted by the Group on its suppliers on an on-going basis to monitor the quality of products supplied to us so as to ensure the high quality of the Group's product and protect the interest of our consumers.

Relationship with our customers

The Group believes that quality control is one of the most important factors to ensure high quality products and contributes to success of the Group's products. The Group sets stringent internal control policies for its production process to ensure that every step of its production process complies with the PRC laws and regulations.

DONATION

The Group is also aware of its responsibility to contribute to the society. The Group has donated a total of RMB 680,000 for building up a cultural corridor in Forrest Farm, Donghai Town, Chengxiang District, Putian City (莆田市城廂區東海鎮社辦林場) and offering reading support for Donghai College (東海學校) during the year under review.

AUDITORS

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

On behalf of the Board

Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 30 March 2016

Independent Auditors' Report

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

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

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

We have audited the consolidated financial statements of China Putian Food Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 119, which comprise the consolidated statements of financial position as at 31 December 2015, 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.

Independent Auditors' Report (Continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	**659,862**	624,006
Cost of sales		**(530,684)**	(480,309)
Gross profit		**129,178**	143,697
Other revenue and gains	7	**3,833**	3,296
Losses arising from change in fair value less costs to sell of biological assets	19	**(2,725)**	(663)
Selling and distribution expenses		**(25,153)**	(25,122)
Administrative expenses		**(47,734)**	(35,247)
Finance costs	8	**(41,864)**	(25,564)
Equity-settled share-based payment expense	29	**(16,683)**	—
Fair value loss in issuance of unlisted warrants	30	**(6,965)**	—
(Loss)/profit before taxation		**(8,113)**	60,397
Taxation	9	**—**	—
(Loss)/profit for the year	10	**(8,113)**	60,397
Other comprehensive (loss)/income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(8,191)**	4,074
Other comprehensive (loss)/income for the year, net of income tax		**(8,191)**	4,074
Total comprehensive (loss)/income for the year		**(16,304)**	64,471
(Loss)/profit for the year attributable to the owners of the Company		**(8,113)**	60,397
Total comprehensive (loss)/income for the year attributable to the owners of the Company		**(16,304)**	64,471
(Loss)/earning per share			
Basic and diluted (RMB cents per share)	14	**(0.68)**	3.77 (Restated)

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

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	15	**523,522**	359,167
Prepaid lease payments	16	**103,699**	93,683
Biological assets	19	**3,509**	5,150
Deposits paid for property, plant and equipment	20	**24,998**	91,577
Deposits paid for prepaid lease payments	20	**—**	15,067
		655,728	564,644
Current assets			
Inventories	18	**40,942**	38,457
Biological assets	19	**73,663**	54,612
Trade receivables	21	**96,037**	86,393
Deposits paid, prepayments and other receivables	22	**52,510**	45,998
Prepaid lease payments	16	**4,822**	4,363
Pledged bank deposits	23	**5,970**	3,000
Cash and bank balances	23	**3,875**	79,882
		277,819	312,705
Current liabilities			
Trade and bills payables	24	**25,711**	16,178
Accruals, deposits received and other payables	25	**13,594**	8,156
Bank borrowings	26	**140,000**	140,000
Bank overdrafts	23	**2,793**	—
Deferred revenue	27	**253**	253
		182,351	164,587
Net current assets		**95,468**	148,118
Total assets less current liabilities		**751,196**	712,762

Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Convertible bonds	28	**155,500**	129,950
Deferred revenue	27	**3,187**	3,440
		158,687	133,390
Net assets		**592,509**	579,372
Equity			
Share capital	31	**65,178**	65,178
Reserves		**527,331**	514,194
Total equity		**592,509**	579,372

Approved by the Board of Directors on 30 March 2016 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Haifang
Executive Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital RMB'000	Share premium* RMB'000	Exchange reserve* RMB'000 Note (a)	Statutory reserve* RMB'000 Note (b)	Convertible bonds equity reserve* RMB'000 Note (c)	Share options reserve* RMB'000 Note (d)	Warrants reserve* RMB'000 Note (e)	Other reserve* RMB'000 Note (f)	Retained earnings* RMB'000	Total RMB'000
As at 1 January 2014	65,178	18,586	1,271	43,970	—	—	—	53,015	300,669	482,689
Profit for the year	—	—	—	—	—	—	—	—	60,397	60,397
Other comprehensive income for the year	—	—	4,074	—	—	—	—	—	—	4,074
Total comprehensive income for the year	—	—	4,074	—	—	—	—	—	60,397	64,471
Transfer to statutory reserve	—	—	—	9,183	—	—	—	—	(9,183)	—
Recognition of the equity components of convertible bonds	—	—	—	—	32,212	—	—	—	—	32,212
As at 31 December 2014 and 1 January 2015	65,178	18,586	5,345	53,153	32,212	—	—	53,015	351,883	579,372
Loss for the year	—	—	—	—	—	—	—	—	(8,113)	(8,113)
Other comprehensive loss for the year	—	—	(8,191)	—	—	—	—	—	—	(8,191)
Total comprehensive loss for the year	—	—	(8,191)	—	—	—	—	—	(8,113)	(16,304)
Transfer to statutory reserve	—	—	—	7,941	—	—	—	—	(7,941)	—
Recognition of the equity components of										
— share options	—	—	—	—	—	16,683	—	—	—	16,683
— warrants	—	—	—	—	—	—	12,758	—	—	12,758
As at 31 December 2015	**65,178**	**18,586**	**(2,846)**	**61,094**	**32,212**	**16,683**	**12,758**	**53,015**	**335,829**	**592,509**

* These reserve accounts comprise of the consolidated reserves of approximately RMB527,331,000 (2014: RMB514,194,000) in the consolidated statements of financial position as at 31 December 2015.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2015

Notes:

(a) Exchange reserve

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

(b) Statutory reserve

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

(c) Convertible bonds equity reserve

The convertible bonds equity reserve represents the equity component (conversion rights) of the HK$44 million (equivalent to approximately RMB32.2 million) and 25.12% convertible bonds issued during the year end 31 December 2014 (Note 28). Items included in convertible bonds equity reserve will not be reclassified subsequently to profit or loss.

(d) Share options reserve

The share options reserve represents the share options of the HK$25 million (equivalent to approximately RMB19.4 million), and release upon lapse of the options of the HK$4 million (equivalent to approximately RMB2.7 million) (Note 29).

(e) Warrants reserve

The warrants reserve represents the warrants of the HK$16 million (equivalent to approximately RMB12.6 million) (Note 30).

(f) Other reserve

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
(Loss)/profit before taxation	(8,113)	60,397
Adjustments for:		
Interest income	(638)	(1,516)
Finance costs	41,864	25,564
Amortisation of prepaid lease payments	4,592	3,727
Equity-settled share-based payment expense	16,683	—
Fair value loss in issuance of unlisted warrants	6,965	—
Gain on disposal of property, plant and equipment	(13)	(3)
Depreciation of property, plant and equipment	12,220	11,476
Losses arising from change in fair value less costs to sell of biological assets	2,725	663
Operating cash flows before movements in working capital	76,285	100,308
Increase in inventories	(2,485)	(31,184)
Increase in biological assets	(20,135)	(8,693)
Increase in trade receivables	(9,644)	(9,130)
Increase in deposits paid, prepayments and other receivables	(6,512)	(32,955)
Increase in trade and bills payables	9,533	1,846
Increase in accruals, deposits received and other payables	5,438	1,055
Net cash generated from operating activities	52,480	21,247
Investing activities		
Interest received	385	1,263
Payments for prepaid lease payment	—	(11,347)
Deposits paid for property, plant and equipment	—	(23,884)
Proceeds from disposal of property, plant and equipment	28	18
Payments for property, plant and equipment	(110,003)	(44,875)
Net cash used in investing activities	(109,590)	(78,825)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Financing activities		
Interest paid	(25,346)	(17,979)
Proceeds from bank borrowings	140,000	140,000
Repayments of bank borrowings	(140,000)	(150,000)
Increase in pledged bank deposits	(2,970)	(707)
Proceeds from issue of warrants	6,416	—
Payments for issue of warrants	(623)	—
Proceeds from issue of convertible bonds	—	154,819
Net cash (used in)/generated from financing activities	(22,523)	126,133
Net (decrease)/increase in cash and cash equivalents	(79,633)	68,555
Cash and cash equivalents at beginning of the year	79,882	7,246
Effect of foreign exchange rate changes	833	4,081
Cash and cash equivalents at end of the year	1,082	79,882
Cash and cash equivalents at end of the year		
Cash and bank balances	3,875	79,882
Bank overdrafts	(2,793)	—
Cash and cash equivalents at end of the year	1,082	79,882

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

The principal activity of the Company is investment holdings. The activities of its principal subsidiaries are set out in Note 17 to the consolidated financial statements and the Company's shares were listed on the Main Board of the Stock Exchange on 13 July 2012. The immediate and ultimate holding company is Zhan Rui Investments Limited, a company incorporated in British Virgin Islands.

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

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

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

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations) 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 2015. A summary of the new and revised HKFRSs are set out as below:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs and HKAS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) during the reporting period. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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 statements:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[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: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]

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

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

4 No mandatory effective date is determined but is available for early adoption.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

HKFRS 9 Financial Instruments

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described below:

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

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

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

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

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 cash generating unit 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 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

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

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

The accounting option must be applied by category of investments.

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

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

The directors of the Company 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 a single transaction.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

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

Annual Improvements to HKFRSs 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 apply prospectively.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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.

There were no transfer between level 1, 2 and 3 in both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below:

Basis of consolidation

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 specific/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities 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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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 at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(a) Sales of goods

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

(b) Interest income

Interest income from a financial asset (other than a financial asset at fair value through profit and loss ("FVTPL")) 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)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

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

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

Exchange differences on monetary items are recognised in profit or loss in the reporting period in which they arise except for:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 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 on identifiable assets and liabilities assumed through 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 other comprehensive income.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the year

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account of their residual value, on a straight-line basis at the following rates per annum:

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

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is computed using the weighted average method. Net realisable value represents 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 for the reporting 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 for the reporting period in which the reversal occurs.

Biological assets

Hogs, including breeder hogs and porkers, are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with a resultant gain or loss recognised in profit or loss for the year in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost and excluding finance costs and income taxes. The fair value of hogs is determined based on its present location and condition and is determined independently by professional valuer.

The feeding costs and other related costs including utilities cost and consumables incurred for raising of hogs are capitalised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid lease payments

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

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets 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. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but 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 a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

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).

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 reporting 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.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid, 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 are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Convertible bonds

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Share options granted to directors and employees

Equity-settled share-based payments to directors and employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will continue to be held in share options reserve/will be transferred to accumulated profit.

Warrants

The net proceeds received from the issue of warrants are recognised in warrants reserve within equity. Net proceeds received for warrants issued with notes are determined based on their relative fair value at the issue date. When the warrants are exercised, the amount recognised in warrants reserve will be transferred to share capital and share premium accounts. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to accumulated profits.

Other financial liabilities

Financial liabilities (including trade payables and bills payables, accruals and other payables, bank borrowings, bank overdrafts, and convertible bonds) are subsequently measured at amortised cost using the 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CGUs, or otherwise they are allocated to the smallest group of CGUs 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 a 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 a 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 a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Contingent liabilities and contingent assets

Contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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.

(a) Impairment of property, plant and equipment

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

(b) Impairment of trade and other receivables

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

(c) Depreciation and amortisation

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

(d) Fair values of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in Notes 19 and 37.

(e) Net realisable value of inventories

Valuation of inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product by product basis at the end of each reporting period and assess the need for write down of inventories.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. SEGMENT INFORMATION

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

During each of the Reporting Period, all revenue is derived from customers in the PRC and almost all the non-current assets of the Group are located in the PRC.

Segment revenue

For the year ended 31 December 2015, revenue from the sales of pork increased to approximately RMB659,862,000 (2014: approximately RMB624,006,000).

Furthermore, revenue of approximately RMB58,255,000 (2014: approximately RMB58,427,000) arose from sales to the Group's largest customer.

Information about the largest customer

For the year ended 31 December 2014 and 2015, no single customer contributed 10% or more to the Group's revenue.

Geographical Information

During the years ended 31 December 2014 and 2015, the Group mainly operated in the PRC and all of the Group's revenue are derived from the PRC and most of non-current assets of the Group are located in the PRC as at 31 December 2014 and 2015. No analysis of the Group's result and assets by geographical area is disclosed.

6. REVENUE

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

	2015 **RMB'000**	2014 RMB'000
Revenue from		
— Retail of pork	**325,058**	320,967
— Wholesale of pork	**297,880**	297,880
— Retail of frozen pork	**30,202**	5,159
— Wholesale of commodity hogs	**6,722**	—
	659,862	624,006

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

7. OTHER REVENUE AND GAINS

	2015 RMB'000	2014 RMB'000
Interest income on:		
— bank deposits	385	1,263
— amortisation of deferred revenue	253	253
Total interest income	638	1,516
Gain on disposal of property, plant and equipment	13	3
Gain on disposal of hog droppings	78	105
Gain on disposal of biological assets	878	1,065
Government grants (Note)	1,862	607
Sundry income	364	—
	3,833	3,296

Note: Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of hog farms and slaughterhouse and government tax grant. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statements of profit or loss and other comprehensive income when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of hogs farm and slaughterhouse are recognised as deferred revenue (Note 27) and the government tax grant is recognised as other income. The government grants and government tax grant recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interests on:		
— bank borrowings wholly repayable within five years	7,752	9,638
— bank overdrafts wholly repayable within five years	15	—
— imputed interest charged on convertible bonds (Note 28)	34,097	15,926
	41,864	25,564

9. TAXATION

	2015 RMB'000	2014 RMB'000
Income tax expenses	—	—

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

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

	2015 RMB'000	2014 RMB'000
(Loss)/profit before taxation	(8,113)	60,397
Tax at the applicable income tax rate	3,356	17,172
Tax exemption for subsidiary operating in the PRC	(13,807)	(21,195)
Tax effect of expenses not deductible for tax purpose	5,629	2,627
Tax effect of income not taxable for tax purpose	(1)	(3)
Tax effect of tax loss not recognised	4,823	1,399
Income tax expenses	—	—

Note: The non-deductible expenses mainly consist of entertainment, which are not deductible for tax purpose under the relevant tax jurisdiction.

As at 31 December 2014 and 2015, no unutilised tax loss was approved by Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

9. TAXATION (Continued)

Notes:

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

(b) No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%) during the Reporting Period.

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

10. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2015 RMB'000	2014 RMB'000
Staff costs including directors' emoluments		
Salaries and other emoluments	26,908	26,298
Equity-settled share-based payment expense	16,683	—
Retirement scheme contributions	1,518	1,354
Total staff costs	45,109	27,652
Depreciation of property, plant and equipment (Note 15)	12,220	11,476
Amortisation of prepaid lease payments (Note 16)	4,592	3,727
Total depreciation and amortisation	16,812	15,203
Auditors' remuneration	1,000	1,000
Operating lease rental expenses	5,081	6,420

11. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2015 RMB'000	2014 RMB'000
Directors' fees	1,027	1,014
Other emoluments:		
Salaries, allowances and benefits in kind	361	375
Discretionary bonus	—	—
Equity-settled share-based payment expense	11,048	—
Retirement schemes contributions	62	57
	11,471	432
	12,498	1,446

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

11. DIRECTORS' EMOLUMENTS (Continued)

Details for the emoluments of each director of the Company during the Reporting Period are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Equity-settled share-based payment expense RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2015						
Executive directors:						
Mr. Cai Chenyang (Note (a))	**401**	**202**	**—**	**9,816**	**38**	**10,457**
Mr. Cai Haifang	**241**	**87**	**—**	**591**	**9**	**928**
Ms. Cai Shengyin	**241**	**72**	**—**	**641**	**15**	**969**
Independent non-executive directors:						
Mr. Cai Zirong	**48**	**—**	**—**	**—**	**—**	**48**
Mr. Wu Shiming	**48**	**—**	**—**	**—**	**—**	**48**
Mr. Yu Wenquan (Note (b))	**—**	**—**	**—**	**—**	**—**	**—**
Mr. Wang Aiguo (Note (c))	**48**	**—**	**—**	**—**	**—**	**48**
	1,027	**361**	**—**	**11,048**	**62**	**12,498**
2014						
Executive directors:						
Mr. Cai Chenyang (Note (a))	396	203	—	—	37	636
Mr. Cai Haifang	237	88	—	—	8	333
Ms. Cai Shengyin	237	84	—	—	12	333
Independent non-executive directors:						
Mr. Cai Zirong	48	—	—	—	—	48
Mr. Wu Shiming	48	—	—	—	—	48
Mr. Yu Wenquan (Note (b))	20	—	—	—	—	20
Mr. Wang Aiguo (Note (c))	28	—	—	—	—	28
	1,014	375	—	—	57	1,446

Notes:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

11. DIRECTORS' EMOLUMENTS (Continued)

The executive directors' emoluments shown were mainly for their service in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown were mainly for their services as directors of the Company.

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 December 2014 and 2015 respectively. None of the directors agreed to waive or waived any emoluments during the year (2014: Nil).

12. EMPLOYEES EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year included three directors (2014: three) whose emolument were disclosed in Note 11. The detail of the emoluments of the remaining two (2014: two) highest paid individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	965	955
Equity-settled share-based payment expense	996	—
Retirement schemes contributions	60	58
	2,021	1,013

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following band are as follows:

	2015	2014
Nil to RMB837,000 (equivalents to HK$1,000,000)	–	2
RMB837,000 to RMB1,256,000 (equivalents HK$ 1,000,000 to HK$1,500,000)	2	—

During the year ended 31 December 2015, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the reporting period (2014: Nil).

(b) Senior Management of the Company

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

	2015	2014
Nil to RMB837,000 (equivalents to HK$1,000,000)	2	5

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

13. DIVIDENDS

The directors of the company do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

14. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(Loss)/earning

	2015 **RMB'000**	2014 RMB'000
(Loss)/earning attributable to owners of the Company for the purpose of calculating basic (loss)/earning per share	**(8,113)**	60,397

Number of shares

	2015 **'000**	2014 '000 (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earning per share	**1,201,096**	1,600,000

The calculation of basic (loss)/earning per share for the year is based on the loss attributable to the owners of the Company for the year ended 31 December 2015 of approximately RMB8,113,000 (2014: Profit attributable to the owners of the Company of approximately RMB60,397,000) and the weighted average number of 1,201,096,000 (2014: 1,600,000,000) ordinary shares in issue during the reporting period, adjusted retrospectively for the share subdivision (one into two) with effect from 2 July 2015 (Note 31).

Basic and diluted (loss)/earning per share for the years ended 31 December 2015 and 2014 were the same because conversion of convertible bonds (which were issued on 26 June 2014) would decrease the loss per share for the year ended 31 December 2015 and increase the earning per share for the year ended 31 December 2014, therefore, anti-dilutive. Also, the computation of diluted (loss)/earning per share does not assume the exercise of the Company's outstanding share options and warrants (which were granted on 31 March 2015 and issued on 9 October 2015 respectively) as the exercise price of share options and warrants were higher than the average market price for the year ended 31 December 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000 (Notes (a))	Total RMB'000
Cost						
As at 1 January 2014	142,770	14,599	8,307	2,847	196,717	365,240
Additions	52	1,783	2,701	1,371	40,477	46,384
Disposals	—	—	(300)	—	—	(300)
Exchange alignment	—	—	2	—	—	2
As at 31 December 2014 and 1 January 2015	142,822	16,382	10,710	4,218	237,194	411,326
Additions	—	9,690	1,178	1,107	164,607	176,582
Disposals	—	—	(302)	—	—	(302)
Transfer	4,256	—	—	—	(4,256)	—
Exchange alignment	—	—	31	—	—	31
As at 31 December 2015	**147,078**	**26,072**	**11,617**	**5,325**	**397,545**	**587,637**
Accumulated depreciation						
As at 1 January 2014	30,741	3,746	4,254	2,226	—	40,967
Provided for the year	7,104	1,751	1,517	1,104	—	11,476
Written off on disposal	—	—	(285)	—	—	(285)
Exchange alignment	—	—	1	—	—	1
As at 31 December 2014 and 1 January 2015	37,845	5,497	5,487	3,330	—	52,159
Provided for the year	7,095	2,194	1,731	1,200	—	12,220
Written off on disposal	—	—	(287)	—	—	(287)
Exchange alignment	—	—	23	—	—	23
As at 31 December 2015	**44,940**	**7,691**	**6,954**	**4,530**	**—**	**64,115**
Net book values						
As at 31 December 2015	**102,138**	**18,381**	**4,663**	**795**	**397,545**	**523,522**
As at 31 December 2014	104,977	10,885	5,223	888	237,194	359,167

Notes:

(a) For the additions of construction in progress as at 31 December 2015, the amount included approximately RMB98,028,000 by cash and approximately RMB66,579,000 by deposit.

(b) Certain buildings with net book amount of approximately RMB105,037,000 as at 31 December 2015 (2014: approximately RMB115,679,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 41 for details.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

16. PREPAID LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Cost		
As at the beginning of the year	110,214	98,867
Additions	15,067	11,347
As at the end of the year	125,281	110,214
Accumulated amortisation		
As at the beginning of the year	12,168	8,441
Charge for the year	4,592	3,727
As at the end of the year	16,760	12,168
Net book values	108,521	98,046
Analysed for reporting purposes as:		
Current assets	4,822	4,363
Non-current assets	103,699	93,683
	108,521	98,046

Prepaid lease payments represent the cost of land use rights in respect of certain leasehold land located in the PRC, which is held under medium term leases. The lease terms are between 27 and 49 years.

The prepaid lease payments with net book amount of approximately RMB19,333,000 as at 31 December 2015 (2014: approximately RMB19,809,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 41 for details.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

17. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place and date of incorporation	Principle country of operation	Paid up capital or registered capital '000	Percentage of equity interest and voting power attributable to the Company Direct %	Indirect %	Principal activities
Wellname Investments Limited	The BVI, 13 January 2011	Hong Kong	USD1,000	100	—	Investment holding
China Modern Agriculture Holding Limited	Hong Kong, 13 August 2008	Hong Kong	HK$10,000	—	100	Investment holding
Tianyi (Fujian) Modern Agriculture Development Co., Ltd	The PRC, 26 April 2005 (Company Limited)	The PRC	USD42,000,000	—	100	Slaughtering and processing of livestock, production and sales of meat products
Victoria Top Limited	Hong Kong, 23 February 2011	Hong Kong	HK$1	—	100	Dormant
China Putian Investments Limited	The BVI, 13 November 2013	Hong Kong	USD1	100	—	Investment holding
China Putian Food Development Company Limited	Hong Kong, 3 December 2013	Hong Kong	HK$1	—	100	Retail and wholesale of pork product
Putian (Beijing) Food Limited* (普甜(北京)食品有限公司)	The PRC, 14 April 2014 (Company Limited)	The PRC	RMB100,000,000	—	100	Wholesale pre-packaged food, organization of exhibition events, technology development, and consultancy services
Fujian Putian Food Co. Limited* (福建普甜食品有限公司)	The PRC, 9 October 2014 (Company Limited)	The PRC	RMB20,000,000	—	100	Production, processing and sale of frozen product; research and development on food production technology
Putian Hebei Farming Development Co. Limited* (普甜河北牧業發展有限公司)	The PRC, 9 September 2014 (Company Limited)	The PRC	RMB60,000,000	—	100	Farming of cereals and vegetables, breeding of hogs management of and sales of Production and sales of agricultural products

* For identification purpose only.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

18. INVENTORIES

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

	2015 RMB'000	2014 RMB'000
Hogs feeds	13,006	6,026
Raw materials (Note)	5,333	6,393
Frozen pork products	22,603	26,038
	40,942	38,457

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

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	493,737	445,012

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. BIOLOGICAL ASSETS

The Group is principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC. The Group's hogs are divided into breeder hogs and commodity hogs.

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	Commodity hogs RMB'000	Total RMB'000
As at 1 January 2014	4,562	47,170	51,732
Increase due to purchases	2,219	395,003	397,222
Increase due to raising (Feeding cost and others)	4,167	157,177	161,344
Transfer	(4,749)	4,749	—
Decrease due to retirement and deaths	—	(3,745)	(3,745)
Decrease due to sales	(851)	(545,277)	(546,128)
Change in fair value less costs to sell	(198)	(465)	(663)
As at 31 December 2014 and 1 January 2015	5,150	54,612	59,762
Increase due to purchases	8,295	407,002	415,297
Increase due to raising (Feeding cost and others)	4,085	141,809	145,894
Transfer	(8,441)	8,441	—
Decrease due to retirement and deaths	—	(4,403)	(4,403)
Decrease due to sales	(4,504)	(532,149)	(536,653)
Change in fair value less costs to sell	(1,076)	(1,649)	(2,725)
As at 31 December 2015	**3,509**	**73,663**	**77,172**

The numbers of biological assets are as follows:

	2015	2014
Breeder hogs	**1,148**	1,556
Commodity hogs	**53,969**	42,165
	55,117	43,721

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. BIOLOGICAL ASSETS (Continued)

Analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Current assets	**73,663**	54,612
Non-current assets	**3,509**	5,150
At the end of the year	**77,172**	59,762

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

The Group is exposed to fair value risks arising from changes in price of the hogs. The Group does not anticipate that the price of hogs will significantly decline in the foreseeable future and the directors of the Company are of the view that there is no available derivative or other contracts which the Group can enter into manage the risk of a decline in the price of the hogs.

The Group is exposed to a number of risks related to biological assets and 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 breeding of hogs. 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.

(b) Climate, disease and other natural risks

The Group's biological assets 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 limit to regular inspections, disease controls, surveys and insurance.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. BIOLOGICAL ASSETS (Continued)

The Qualification of Valuer

The Group's biological assets were independently valued by Asset Appraisal Limited (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation include professional member of the Royal Institution of Chartered Surveyors (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 biological assets

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. BIOLOGICAL ASSETS (Continued)

Physical count of biological assets (Continued)

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

(a) To obtain the warehouse records reflecting the quantities of hogs and piglets as at the reporting date;

(b) To perform physical counting of hogs and piglets within the curtain-barns as at the reporting date;

(c) To obtain the warehouse records in relation to the reduction and addition on the number of hogs and piglets of the curtain-barns during the year; and

(d) To compare and reconcile the results with the stocktaking records prepared by the Group.

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. BIOLOGICAL ASSETS (Continued)

Physical count of biological assets (Continued)

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

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

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

	2015 RMB'000	2014 RMB'000
Deposits paid for prepaid lease payments (Note (a))	–	15,067
Deposits paid for property, plant and equipment (Note (b))	24,998	91,577

Notes:

(a) During the year 2014, the Group's deposits paid for the acquisition of a piece of land use right in the PRC for expanding the Group's slaughterhouse.

(b) The deposit and prepayments for property, plant and equipment as at 31 December 2014 and 2015 was mainly for the purchase of equipment for upgrading of production facilities in the Group's slaughterhouse and breeding farm.

21. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	96,037	86,393

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

21. TRADE RECEIVABLES (Continued)

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

	2015 RMB'000	2014 RMB'000
Within 30 days	48,883	35,807
31 days to 90 days	47,154	50,521
91 days to 180 days	–	65
	96,037	86,393

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

	2015 RMB'000	2014 RMB'000
91 days to 180 days	–	65

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

22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Advances to staff (Note (a))	388	1,626
Other deposits paid and prepayments (Note (b))	52,122	44,372
	52,510	45,998

Notes:

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

(b) During the year ended 31 December 2015, the amount was mainly for the acquisition of breeder hogs and parental breeder hogs of approximately RMB31,760,000 (2014: RMB28,295,000), and the deposits paid of approximately RMB10,230,000 (2014: RMB8,500,000) which mainly related to guarantees paid to, amongst others, hog suppliers to secure a stable supply of commodity hogs as requested by such supplier.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Cash and Cash equivalents compose:

	2015 RMB'000	2014 RMB'000
Cash and bank balances	3,875	79,882
Pledged bank deposits	5,970	3,000
Bank overdrafts	(2,793)	—
	7,052	82,882

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at the prevailing market rates which at 0.5% per annum during the reporting period (2014: 0.5%). The bank balances are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances at the end of the reporting period were amounts in RMB of approximately RMB3,596,000 (2014: approximately RMB71,177,000) which are not freely convertible into other currencies.

24. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	5,811	6,178
Bills payables	19,900	10,000
	25,711	16,178

The ageing analysis of trade payables is as follows:

	2015 RMB'000	2014 RMB'000
Within 30 days	4,124	5,254
31 to 90 days	1,411	337
91 to 180 days	276	587
	5,811	6,178

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

The Group normally obtains credit terms within 30 days from its suppliers. The bills payables are matured within twelve months (2014: four months) from the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Deposits received	**2,663**	1,030
Other payables for property, plant and equipment	**3,766**	496
Accruals and other payables	**7,165**	6,630
	13,594	8,156

26. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings — secured	**140,000**	140,000

	2015 RMB'000	2014 RMB'000
Carrying amount repayable:		
On demand or within one year	**140,000**	140,000

Bank borrowings at:

	2015 RMB'000	2014 RMB'000
— floating interest rate	**140,000**	140,000

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

26. BANK BORROWINGS (Continued)

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

	2015 %	2014 %
Floating rate	**4.85–5.60**	6.60–7.80

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

	2015 RMB'000	2014 RMB'000
Property, plant and equipment (Note 15)	**105,037**	115,679
Prepaid lease payments (Note 16)	**19,333**	19,809
	124,370	135,488

As at 31 December 2014 and 2015, the Group's bank borrowings of RMB20,000,000 was guaranteed by the Company's director, Mr. Cai Chenyang.

27. DEFERRED REVENUE

	2015 RMB'000	2014 RMB'000
Arising from government grant (Note)	**3,440**	3,693

Analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Current liabilities	**253**	253
Non-current liabilities	**3,187**	3,440
	3,440	3,693

Note: As at 31 December 2014 and 2015, the Group has unused government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised upon construction of qualifying assets. The government grant is not repayable.

28. CONVERTIBLE BONDS

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

Upon full conversion of the Convertible Bonds at the initial conversion price of HK$1.30 per share, a total of 153,846,153 conversion shares with a par value of HK$0.10 each would have been issued before adjusted retrospectively for the share subdivision (one into two) with effect on 2 July 2015 (Note 31).

Upon full conversion of the Convertible Bonds at the initial conversion price of HK$0.65 per share, a total of 307,692,307 conversion shares with a par value of HK$0.05 each will be issued after adjusted retrospectively for the share subdivision (one into two) with effect on 2 July 2015 (Note 31).

As at 31 December 2015, no Convertible Bond has been converted.

The principal terms of the Convertible Bonds are summarised in the Company's announcement dated 18 June 2014.

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

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

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

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

The Convertible Bonds have been split between a liability component and an equity component as follows:

(a) liability component is measured at fair value amounted to approximately HK$187,388,000 equivalent to approximately RMB156,879,000, and it is subsequently measured at amortised cost by applying an effective interest rate of 25.53% per annum; and

(b) equity component, which is equal to the difference between the total proceeds value and the fair value of the liability component, amounted to approximately HK$10,179,000 equivalent to approximately RMB8,522,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

28. CONVERTIBLE BONDS (Continued)

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

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2014	—	—	—
Convertible Bonds issued on 26 June 2014	113,792	32,212	146,004
Imputed interest charged (Note 8)	15,926	—	15,926
Interest paid for the year	(7,766)	—	(7,766)
Administrative fee payable	(817)	—	(817)
Exchange alignment	8,815	—	8,815
As at 31 December 2014 and 1 January 2015	129,950	32,212	162,162
Imputed interest charged (Note 8)	34,097	—	34,097
Interest paid for the year	(15,905)	—	(15,905)
Administrative fee payable	(1,674)	—	(1,674)
Exchange alignment	9,032	—	9,032
As at 31 December 2015	**155,500**	**32,212**	**187,712**

On 26 June 2014, Zhan Rui Investments Limited ("Zhan Rui"), a controlling shareholder of the Company executed a deed of share charge (the "Share Charge Deed") in favour of the Investor pursuant to which Zhan Rui shall charge as beneficial owner by way of fixed charge all its right, title and interest from time to time in and to the 408,000,000 shares of par value of HK$0.10 each (i.e. equivalent to 816,000,000 shares of par value of HK$0.05 each adjusted upon the share subdivision effected on 2 July 2015 (Note 31)) as continuing security for the payment and discharge of all the Company's and Zhan Rui's obligation and liabilities due, owing or incurred by it to the Investor under or pursuant to, among others, the Subscription Agreement, the bond instrument constituting the Convertible Bonds, and the Share Charge Deed.

Fair value of convertible bonds and assumptions

The estimate of fair values of the convertible bonds granted were calculated by the Valuer using binomial model. The significant assumptions and inputs used in computing the fair value are based on the management's best estimate. The significant inputs into the model were spot share price at the year ended, time to maturity, expected volatilities, dividend and effective interest rate.

The value of the convertible bonds calculated using the binomial model is subject to the fundamental limitations of the model and the uncertainties of those significant assumptions and inputs. Any change to those assumptions and inputs may result in changes in the fair value of the convertible bonds.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

28. CONVERTIBLE BONDS (Continued)

Fair value of convertible bonds and assumptions (Continued)

Assumptions and inputs adopted in the valuation are listed below:

Valuation date:

	After Sub-Division	Before Sub-Division
Share price at grant date 26 June 2014 (HK$)	0.60	1.20
Exercise price (HK$)	0.65	1.30
Expected volatility (Note (a))	39.49%	39.49%
Dividend yield	Nil	Nil
Risk-free interest rate (Note (b))	0.816%	0.816%
Life of Convertible Bond	3 years	3 years

Notes:

(a) Volatility is the annualized standard deviation of the continuously compounded rates of return on the daily adjusted share price of GCHE.RM, 600975.ch and 002505.ch.

(b) Risk-free rate represents the yields to maturity of respective Hong Kong Exchange Fund Note as at the valuation date.

29. SHARE OPTION SCHEME

The purpose of the share option scheme approved and adopted by the Company on 22 June 2012 and becoming effective on 13 July 2012 (the "Share Option Scheme") is to recognise and motivate the contribution of its participant (including any employees, directors, or proposed director of any member of the Group, consultant, adviser, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group) and to provide incentives and help the Company retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The Company, by resolution in general meetings, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in respect of any option granted but not exercised the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the effective date of the Share Option Scheme, after which no further options will be granted but in respect of any option granted but not exercised the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any such options.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

29. SHARE OPTION SCHEME (Continued)

The total number of shares ("Shares") in the share capital of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of Shares in issue as at the effective date of the Share Option Scheme (i.e. 160,000,000 Shares which represent 10% of the issued share capital as at the date of this annual report). The Company may seek approval of its shareholders in general meeting to refresh the said 10% limit provided that the limit so refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshment. Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (i.e. 480,000,000 Shares which represent 30% of the issued share capital as at the date of this annual report).

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

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

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

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

29. SHARE OPTION SCHEME (Continued)

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

As at 1 January 2015, the Company had not granted any option under the Share Option Scheme. On 31 March 2015, the Company granted shares option to subscribe for 80,000,000 shares with par value of HK$0.1 each (i.e. 160,000,000 shares with par value of HK$0.05 each after the subdivision of each share in the Company of par value of HK$0.1 each into 2 shares of par value of HK$0.05 each on 2 July 2015 (the "Share Subdivision")) under the Share Option Scheme of which options to subscribe for 79,840,000 shares with par value of HK$0.1 each (i.e. 159,680,000 shares with par value of HK$0.05 each after adjustment as a result of the Share Subdivision) were accepted by the grantees. The exercise price of those share options is HK$0.595 per share with par value of HK$0.05 each after adjustment as a result of the Share Subdivision. The closing price of the share (with par value of HK$0.1 each) immediately before the date of grant is HK$1.16 (i.e. HK$0.58 after adjustment as a result of the Share Subdivision).

Options series	**Remained Number**	**Grant date**	**Exercisable date**	**Expiry date**	**Exercise price** HKD
(1) Granted on 31 March 2015	34,660,000	31/03/2015	31/12/2015	30/03/2025	0.595
(2) Granted on 31 March 2015	46,000,000	31/03/2015	31/12/2016	30/03/2025	0.595
(3) Granted on 31 March 2015	50,080,000	31/03/2015	31/12/2017	30/03/2025	0.595

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

29. SHARE OPTION SCHEME (Continued)

The following table discloses the terms, conditions and movements of the Company's share options during the current years:

Grantee	Exercisable period	Exercisable price per share (adjusted by Share Subdivision on 2 July 2015) (HK$)	No. of shares which may be issued upon exercise of the relevant option granted on 31 March 2015 (adjusted by Share Subdivision on 2 July 2015) ('000)	Lapsed during the period ('000)	Exercised during the period ('000)	Cancelled during the period ('000)	Balance as at 31 December 2015 ('000)
Executive Directors							
— Mr. Cai Chenyang	(1) 31 Dec 2015 to 30 Mar 2025	0.595	21,000	—	—	—	21,000
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	24,960	—	—	—	24,960
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	26,480	—	—	—	26,480
						—	
— Ms. Cai Shengyin	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,420	—	—	—	1,420
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
						—	
— Mr. Cai Haifang	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,220	—	—	—	1,220
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	—	1,600
						—	
Employees of the Group	(1) 31 Dec 2015 to 30 Mar 2025	0.595	11,020	—	—	—	11,020
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	17,840	—	—	—	17,840
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	20,400	—	—	—	20,400
			130,740	**—**	**—**	**—**	**130,740**

Notes:

(a) The Share Options were vested upon granted.

(b) The exercise price of the Share Options was subject to adjustments in the case of capitalization of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

29. SHARE OPTION SCHEME (Continued)

Fair value of share options and assumptions

The estimate of fair values of the share options granted were calculated by the Valuer using binomial model. The significant assumptions and inputs used in computing the fair value are based on the management's best estimate. The significant inputs into the model were spot share price at grant date, exercise price, expected volatilities, dividend and exercise multiple for directors and selected employee.

The value of the share options calculated using the binomial model is subject to the fundamental limitations of the model and the uncertainties of those significant assumptions and inputs. Any change to those assumptions and inputs may result in changes in the fair value of the share options.

Assumptions and inputs adopted in the valuation are listed below:

	Start from 31/12/2015	Start from 31/12/2016	Start from 31/12/2017
Fair value at grant date (HK$'000) (Note (a))	11,058	17,312	20,750
Share price at grant date 31 March 2015 (HK$)	0.580	0.580	0.580
Exercise price (HK$)	0.595	0.595	0.595
Expected volatility (Note (b))	53.16%	53.16%	53.16%
Dividend yield	Nil	Nil	Nil
Risk-free interest rate (Note (c))	1.48%	1.48%	1.48%
Option Life	10 years	10 years	10 years
Exercise multiple — Directors (HK$) (Note (d))	2.75	2.75	2.75
Exercise multiple — Employee (HK$) (Note (d))	2.20	2.20	2.20
Fair value per option — Directors (HK$)	0.3100	0.3159	0.3241
Fair value per option — Employee (HK$)	0.2799	0.2923	0.3059

Notes:

(a) Fair value of all the share options granted at 31 March 2015 were HK$49,120,000 equivalent to approximately RMB38,697,000. After 32 staffs declined the share options to subscribe for a total of 29,260,000 shares, the adjusted fair value of all the share options granted and accepted was HK$40,380,000 equivalent to approximately RMB31,812,000. The Group recognised approximately RMB16,683,000 as equity-settled share-based payment expense in the profit and loss for the year ended 31 December 2015 (2014: Nil).

(b) Volatility represents annualized standard deviation of the weekly return of stock price of GCHE.RM, 600975.ch and 002505.ch.

(c) Risk-free rate represents the yields to maturity of respective HKD Hong Kong Sovereign Curve.

(d) The exercise multiple defines the early exercise strategy by assuming that early exercise happens when the stock price is the certain multiple of the exercise price.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

30. WARRANTS

Detail of the warrants of the Company

On 9 October 2015, the Company issued 160,000,000 unlisted warrants ("Warrants") at HK$0.05 each entitling nine subscribers which are members of the management of the Group to subscribe for an aggregate of up to 320,000,000 ordinary shares (with par value of HK$0.05 each) of the Company at HK$0.65 each within the period of two years ending 9 October 2017 in accordance with the terms and conditions of the relevant subscription agreement.

The price of the Warrants was HK$0.05 per Warrant (with a net issue price of approximately HK$0.045 per Warrant). The aggregate of the price of each Warrant and 2 ordinary shares of the Company to be allotted and issued upon exercise of such Warrant was HK$1.35.

The net proceeds of issue of Warrants were approximately HK$7,223,000 (equivalent to approximately RMB5,793,000). Assuming full exercise of all Warrants, it is expected that additional gross proceeds and net proceeds of approximately HK$208,000,000 (equivalent to approximately RMB166,816,000) will be raised. Such net proceeds have been and will be applied as the general working capital of the Group. As at 31 December 2015, none of the Warrants have been exercised.

Fair value of warrants and assumptions

On 9 October 2015, upon the issuance of the share pursuant to the open offer, abovementioned warrants were issued, which resulted in a fair value loss of approximately HK$8,685,000 (equivalent to approximately RMB6,965,000), which recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. As at 31 December 2015, the warrants are recognized as equity instrument.

An independent valuation on the warrants issued in accordance with the terms of the warrants was performed by the Valuer, using Black-Scholes model with certain assumptions, including expected volatility of the share price, the dividends expected on the shares, the risk free interest rate during the life of the warrants. The major assumptions applied in the valuations are as follows:

Valuation date:	As at 9 October 2015	As at 31 December 2015
Expected volatility of share price	63.25%	61.18%
Expected dividend yield	Nil	Nil
Risk-free interest rate	0.315%	0.416%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

31. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:			
At 1 January 2014, 31 December 2014 and 1 January 2015 ordinary shares of HK$0.1	40,000,000,000	4,000,000	3,240,009
Subdivided Shares on 2 July 2015 (Note)	40,000,000,000	—	—
At 31 December 2015 ordinary shares of HK$0.05 each	80,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
At 1 January 2014, 31 December 2014, and 1 January 2015 ordinary shares of HK$0.1 each	800,000,000	80,000	65,178
Subdivided Shares on 2 July 2015 (Note)	800,000,000	—	—
At 31 December 2015 ordinary shares of HK$0.05 each	1,600,000,000	80,000	65,178

Note: On 29 June 2015, the annual general meeting of the company, the directors decided that subject to and conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares in issue and to be issued, each issued and unissued share of HK$0.1 each in the share capital of the Company be subdivided into two shares of HK$0.05 each ("Subdivided Shares"), with effect from 2 July 2015, and such Subdivided Shares shall rank equally in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of shares of the Company contained in the articles of association of the Company, and any Director be and is authorized to sign and execute such documents and do all such acts and things as he considers necessary, desirable or expedient in connection with the implementation of or giving full effect to any of the foregoing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

32. STATEMENT OF FINANCIAL POSITION

	2015 RMB'000	2014 RMB'000
Non-current asset		
Investment in subsidiaries	81	81
Current assets		
Amounts due from subsidiaries	234,543	223,446
Deposits paid and prepayments	709	472
Cash and bank balances	193	7,877
	235,445	231,795
Current liabilities		
Amount due to a subsidiary	6,342	3,657
Bank overdrafts	2,793	—
Accruals and other payables	2,381	2,297
	11,516	5,954
Net current assets	223,929	225,841
Total assets less current liabilities	224,010	225,922
Non-current liability		
Convertible bonds	155,500	129,950
Net assets	68,510	95,972
Equity		
Share capital	65,178	65,178
Reserves	3,332	30,794
Total equity	68,510	95,972

Approved by the Board of Directors on 30 March 2016 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Haifang
Executive Director

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

33. RESERVES OF THE COMPANY

	Share Premium RMB'000	Convertible bonds equity reserve RMB'000	Share options reserve RMB'000	Warrants reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 1 January 2014	18,586	—	—	—	(235)	18,351
Loss for the year	—	—	—	—	(19,769)	(19,769)
Other comprehensive income/(loss) for the year	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(19,769)	(19,769)
Recognition of the entity component of convertible bonds	—	32,212	—	—	—	32,212
Dividend paid	—	—	—	—	—	—
As at 31 December 2014 and 1 January 2015	18,586	32,212	—	—	(20,004)	30,794
Loss for the year	—	—	—	—	(56,903)	(56,903)
Other comprehensive income/(loss) for the year	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(56,903)	(56,903)
Recognition of the equity component of						
— share options	—	—	16,683	—	—	16,683
— warrants	—	—	—	12,758	—	12,758
As at 31 December 2015	**18,586**	**32,212**	**16,683**	**12,758**	**(76,907)**	**3,332**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

34. RETIREMENT BENEFIT PLANS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the"MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 (2014: HK$:1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (2014: HK$1,500) (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries and an associate in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries and an associate were required to contribute a certain percentage of the payroll of their staff to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year. And at the end of the reporting period, there was no forfeited contribution available to reduce the contributions payable in the future years.

The total costs charged to profit or loss of approximately RMB1,518,000 (2014: RMB1,354,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

35. CAPITAL RISK MANAGEMENT

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

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

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

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

	2015 **RMB'000**	2014 RMB'000
Total debts (Note)	**298,293**	269,950
Total equity	**592,509**	579,372
Gearing ratio (%)	**50.3%**	46.6%

Note: Total debts comprise bank overdrafts, bank borrowing and convertible bonds are detailed in Notes 23, 26 and 28 respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
— Trade receivables	96,037	86,393
— Deposits paid, prepayments and other receivables	11,963	36,393
— Pledged bank deposits	5,970	3,000
— Cash and bank balances	3,875	79,882
Financial liabilities		
Amortised cost		
— Trade and bills payables	25,711	16,178
— Accruals, deposits received and other payables	13,594	8,156
— Bank borrowings	140,000	140,000
— Bank overdrafts	2,793	—
— Convertible bonds	155,500	129,950

(b) Financial risk management objectives and policies

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

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

36. FINANCIAL INSTRUMENTS (Continued)

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

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, deposit paid, prepayment and other receivable. 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 receivable, deposit paid and prepayment balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse customer base and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to its bank deposits and interest bearing bank loans. Interest-bearing bank loans at floating rates expose the Group to interest rate risk.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (Note 26). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately RMB2,093,000 (2014: approximately RMB1,278,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

36. FINANCIAL INSTRUMENTS (Continued)

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

Business risk

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

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

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

Liquidity risk

The Group is exposed to minimal liquidity 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 bank balances and cash 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 the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (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	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2015						
Non-derivative financial liabilities						
Trade payables and bills payables	—	25,711	—	—	25,711	25,711
Accruals, deposits received and other payables	—	13,594	—	—	13,594	13,594
Bank borrowings	5.33	140,000	—	—	140,000	140,000
Bank overdrafts	3.69	2,793	—	—	2,793	2,793
Convertible bonds	25.53	—	146,006	—	146,006	139,704
		182,098	146,006	—	328,104	321,802

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

37. FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities are determinate as follows:

- the fair value of financial and financial liabilities with standard terms and conditions and traded on active liquid markets are determine with reference to quoted market bid prices and ask prices respectively; and

- the fair value of the financial assets and financial liabilities are determine in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

Except as detailed in the following table, the directors consider that the carrying amounts of financial liabilities recognised in the consolidated financial statements approximate their fair value.

	As at 31 December 2015		As at 31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds	155,500	156,879	129,950	130,585

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

37. FAIR VALUE MEASUREMENT (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2015				
Biological assets				
— breeder hogs	–	3,509	–	3,509
— commodity hogs	–	73,663	–	73,663
	–	77,172	–	77,172

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2014				
Biological assets				
— breeder hogs	—	5,150		5,150
— commodity hogs	—	54,612	—	54,612
	—	59,762	—	59,762

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

The reconciliation from the beginning balances to the ending balances for fair value measurements of the biological assets is disclosed in Note 19.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

37. FAIR VALUE MEASUREMENT (Continued)

Prevailing market data of biological assets

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable input and fair value measurement
Biological assets			
Breeder hogs and commodity hogs	The fair value less costs to sell of breeder hogs and porkers determined using market approach with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price of pigs (RMB17.04/kg) (2014: RMB15.48/kg) (Note (a)) • Prevailing market price of piglets/weaners (RMB34.73/kg) (2014: RMB31.01/kg) (Note (b)) • Prevailing market price of boars (RMB4,000/head) (2014: RMB3,800/head) (Note (c)) • Prevailing market price of sow (RMB1,800/head) (2014: RMB1,800/head) (Note (d))	• The estimated fair value increases when the market price increase, and vice

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximated their fair values.

If the above unobservable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the biological assets would decrease/increase by approximately RMB7,700,000 (31 December 2014: decrease/increase by RMB5,500,000).

Notes:

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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) Key management personnel remuneration

	2015 RMB'000	2014 RMB'000
Short term employee benefits	15,783	2,344
Retirement benefits schemes contributions	148	115
	15,931	2,459

(b) As at 31 December 2015, the Group's bank borrowings of RMB20,000,000 (2014: RMB20,000,000) were secured by personal guarantees provided by Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group.

(c) As at 31 December 2015, the Group's convertible bonds of 816,000,000 ordinary shares (2014: 408,000,000 ordinary shares) were secured by personal guarantees provided respectively by Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group, when adjusted retrospectively for the share subdivision (one into two) with effect from 2 July 2015 (Note 28).

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

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

	2015 RMB'000	2014 RMB'000
Within one year	2,483	1,164
In the second to fifth years, inclusive	740	97
After five years	41,476	41,476
	44,699	42,737

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

40. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**55,909**	31,082

41. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or bank borrowings of the Group (Note 26):

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	**105,037**	115,679
Prepaid lease payments	**19,333**	19,809
	124,370	135,488

42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016.

Five Years Financial Summary

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

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**659,862**	624,006	626,127	580,158	519,339
Cost of sales	**(530,684)**	(480,309)	(464,250)	(430,209)	(397,324)
Gross profit	**129,178**	143,697	161,877	149,949	122,015
Other revenue and gain	**3,833**	3,296	4,107	3,549	2,459
(Loss)/gain arising from change in fair value less costs to sell of biological assets	**(2,725)**	(663)	(3,297)	4,259	(2,891)
Selling and distribution expenses	**(25,153)**	(25,122)	(20,077)	(20,334)	(11,480)
Administrative expenses	**(47,734)**	(35,247)	(27,455)	(26,129)	(15,628)
Finance costs	**(41,864)**	(25,564)	(8,320)	(6,042)	(4,281)
Other operating expenses	**—**	—	(412)	(147)	(181)
Equity-settled share-based payment expense	**(16,683)**	—	—	—	—
Fair value loss in issuance of unlisted warrants	**(6,965)**	—	—	—	—
(Loss)/profit before taxation	**(8,113)**	60,397	106,423	105,105	90,013
Taxation	**—**	—	—	—	—
(Loss)/profit for the year and attributable to owners of the Company	**(8,113)**	60,397	106,423	105,105	90,013

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**933,547**	877,349	657,818	521,362	273,030
Total liabilities	**(341,038)**	(297,977)	(175,129)	(138,382)	(86,150)
Equity attributable to owners of the Company	**592,509**	579,372	482,689	382,980	186,880

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