

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



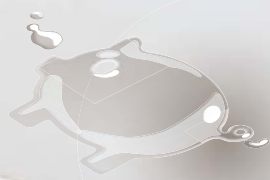
2016  
Interim Report  
中期報告



# China Putian Food Holding Limited is a **Leading Vertically Integrated**

pork products supplier

中國普甜食品控股有限公司為  
**領先的垂直一體化**豬肉供應商



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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Cai Chenyang (*Chairman*)  
Mr. Cai Haifang  
Ms. Cai Shengyin (*resigned with effect from 16 August 2016*)

### 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 Impney Cheng Limited  
Certified Public Accountants

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY WEBSITE

[www.putian.com.hk](http://www.putian.com.hk)

## STOCK CODE

1699

# Management Discussion & Analysis

## BUSINESS REVIEW

For the six months ended 30 June 2016 (the "Review Period"), the Group recorded revenue of approximately RMB316,768,000, representing a decrease of approximately 2.5% as compared with the six months ended 30 June 2015, and net profit of approximately RMB21,193,000, representing an increase of approximately 80.3% as compared with the six months ended 30 June 2015. The increase in net profit was mainly due to the increase in the gain arising from change in fair value less costs to sell of biological assets.

In order to satisfy the increasing market demand for high-end pork, the Company was building a distribution network in Beijing during the Review 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 optimizing and adjusting its existing business in addition to upgrading the production facilities at its headquarter in Putian, Fujian.

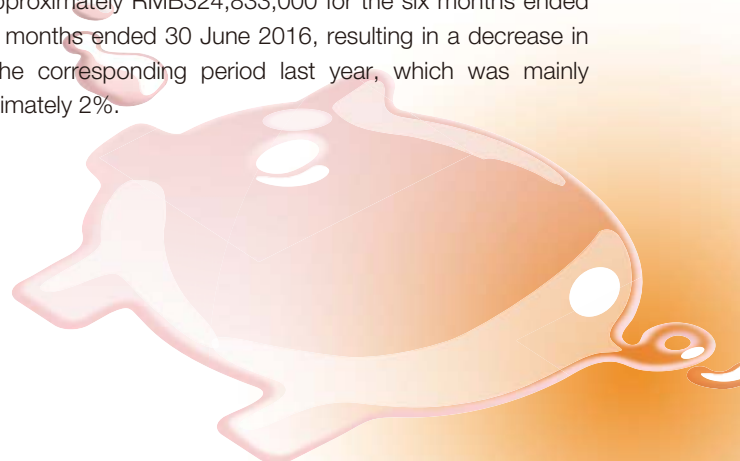
## FINANCIAL REVIEW

### 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 Review Period:

Revenue	Six months ended 30 June			
	2016	2015		
	RMB'000 (unaudited)	Percentage of total revenue	RMB'000 (unaudited)	Percentage of total revenue
Retail of pork	174,366	55.0%	165,041	50.8%
Wholesale of pork	121,016	38.2%	145,599	44.8%
Retail of frozen pork	9,675	3.1%	14,193	4.4%
Wholesale of commodity hog	11,711	3.7%	—	—
	<b>316,768</b>	<b>100%</b>	324,833	100%

The total unaudited revenue of the Group decreased from approximately RMB324,833,000 for the six months ended 30 June 2015 to approximately RMB316,768,000 for the six months ended 30 June 2016, resulting in a decrease in total revenue of approximately 2.5% as compared with the corresponding period last year, which was mainly attributable to a decrease in sales of pork products by approximately 2%.



## Management Discussion &amp; Analysis (Continued)



#### Revenue from Retail of Pork

The Group's unaudited revenue from retail of pork increased from approximately RMB165,041,000 for the six months ended 30 June 2015 to approximately RMB174,366,000 for the six months ended 30 June 2016, representing an increase of approximately 5.7% which was mainly attributable to an increase in sales quantity by approximately 15.9%. The Group continued to expand its sales network with a view to increase the market share of pork retailing in the target markets. As of 30 June 2016, the Group had 80 retail counters, principally including counters in supermarkets and department stores with regional influence such as New Huadu, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart, Rainbow, etc in five cities of Fujian region, namely Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou. In Beijing, the Group launched the retail sales through certain influential 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 customers, 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" brand.

#### Revenue from Wholesale of Pork

The Group's unaudited revenue from wholesale of pork decreased from approximately RMB145,599,000 for the six months ended 30 June 2015 to approximately RMB121,016,000 for the six months ended 30 June 2016, representing a decrease of approximately 16.9% which was primarily due to the Group's shifting of its business focus to retail of pork under the Group's own brand.

#### Revenue from Retail of Frozen Pork

The Group's unaudited revenue from retail of frozen pork decreased from approximately RMB14,193,000 for the six months ended 30 June 2015 to approximately RMB9,675,000 for the six months ended 30 June 2016, representing a decrease of approximately 31.8% which was mainly attributable to a decrease in sales quantity by approximately 41.8%.

#### Revenue from Wholesale of Commodity Hogs

The Group's unaudited revenue from whole of commodity hogs was approximately RMB11,711,000, accounting for approximately 3.7% of the total unaudited revenue for the six months ended 30 June 2016.

The Group will make strenuous efforts to develop high-end pork product and expand its product offerings and sales channels, so as to satisfy consumers' demand for high quality products.

## Management Discussion &amp; Analysis (Continued)

## 2. Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2016		2015	
	Gross profit margin		Gross profit margin	
	RMB'000 (unaudited)	(%)	RMB'000 (unaudited)	(%)
<b>Gross profit and gross profit margin</b>				
Retail of pork	42,167	24.2	43,805	26.5
Wholesale of pork	24,318	20.1	30,411	20.9
Retail of frozen pork	1,125	11.6	746	5.3
Wholesale of commodity hogs	1,589	13.6	—	—
	<b>69,199</b>	<b>21.8</b>	74,962	23.1

The overall unaudited gross profit of the Group decreased from approximately RMB74,962,000 for the six months ended 30 June 2015 to approximately RMB69,199,000 for the six months ended 30 June 2016. The overall gross profit margin of the Group decreased from approximately 23.1% for the six months ended 30 June 2015 to approximately 21.8% for the six months ended 30 June 2016.

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

The gross profit from the retail of pork decreased from approximately RMB43,805,000 for the six months ended 30 June 2015 to approximately RMB42,167,000 for the six months ended 30 June 2016. The gross profit margin for the retail of pork dropped from approximately 26.5% for the six months ended 30 June 2015 to approximately 24.2% for the six months ended 30 June 2016. For the Review Period, the gross profit and gross profit margin for this segment dropped due to the fact that the Group purposively reduced selling prices according to the market situation in order to attract consumers.

### Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from the wholesale of pork fell from approximately RMB30,411,000 for the six months ended 30 June 2015 to approximately RMB24,318,000 for the six months ended 30 June 2016. The gross profit margin for the wholesale of pork slightly dropped from approximately 20.9% for the six months ended 30 June 2015 to approximately 20.1% for the six months ended 30 June 2016. The decrease in gross profit for the wholesale of pork was mainly due to the Group's shifting of its business focus to retail of pork under the Group's own brand.

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

The gross profit from the retail of frozen pork increased from approximately RMB746,000 for the six months ended 30 June 2015 to approximately RMB1,125,000 for the six months ended 30 June 2016. The gross profit margin for the retail of frozen pork increased from approximately 5.3% for the six months ended 30 June 2015 to approximately 11.6% for the six months ended 30 June 2016. The increase in gross profit and gross profit margin for this segment was mainly due to the increase in the selling price by approximately 17.1%.

## Management Discussion & Analysis (Continued)

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

The gross profit and gross profit margin for the wholesale of commodity hogs for the six months ended 30 June 2016 were approximately RMB1,589,000 and 13.6%, respectively. The Group will monitor the market change closely and adjust the supply of commodity hogs accordingly to maximize the overall gross profit.

### 3. Profit for the six month ended 30 June 2016

The profit for the six months ended 30 June 2016 increased by approximately 80.3% from approximately RMB11,756,000 for the six months ended 30 June 2015 to approximately RMB21,193,000. The increase was mainly due to (i) the increase in gain arising from change in fair value less costs to sell of biological assets from approximately RMB1,065,000 for the six months ended 30 June 2015 to approximately RMB12,777,000 for the six months ended 30 June 2016 and (ii) the decrease in the administrative expenses from approximately RMB31,857,000 for the six months ended 30 June 2015 to approximately RMB25,083,000 for the six months ended 30 June 2016 which was mainly due to the fact that no employee stock options were granted during the Review Period; and partially offset by the decrease in the gross profit of approximately RMB5,763,000 and the increase in finance costs by approximately RMB3,048,000.

## 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 and Hong Kong

Under the current market condition with the commencement of production of the Phase I of a black hog farming base of more than 1,080 mu in Xuanhua District, Zhangjiakou City, Hebei Province and in view of the increasingly strong demand for black hogs in the Beijing market, Putian has achieved satisfactory results and will be entering into a high

growth period in the next five years. In order to support the sales of the high-end black hogs, “Putian Black Pearl”, and other pork products, the Group’s expansion plan in the future is aiming to increase the proportion of supermarket sales and group-buying, stabilize wholesale business and focus on the development of membership program in a view to forming a loyal group of consumers, details of which include: (i) expedite the introduction of the Group’s brand into high-end shopping malls and supermarkets, with a plan to establish about 40 new sales counters in Walmart, Beijing Hualian Group (BHG) and others; (ii) promote products under “Putian Black Pearl” series by focusing on high-end community stores, with a plan to establish 20 new community stores in high-end communities such as Fortune Resource International (豐融國際), Jiu hao PR (就好公關) and Tian’ewan (天鵝灣); (iii) develop the relationship with over 20 corporate and business units and community e-commerce platforms, such as Minsheng Bank; (iv) organize roadshow events in the communities, with a view to developing stable high-end members and hence form a loyal group of consumers, thereby creating new growth points for its high-end black hogs business.

In order to support the internationalization of our “Putian” brand and broaden the streams of sales revenue, the Group plans to establish retail outlets in Hong Kong in the second half of 2016. Leveraging the mature economic market and relatively well-developed high-end food culture in Hong Kong, the outlets will be principally engaged in the sales of high-end black hogs products under “Putian Black Pearl” series.

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

Currently, the Group is formulating the overall layout for online business, carrying out the full operation of the O2O model for the communities as well as conducting brand promotion activities through both new media and the internet. 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. During the



## Management Discussion & Analysis (Continued)

Review Period, the Group has established two e-commerce units, namely Fujian Tianyi and Beijing Putian. The relevant works are progressing in an orderly manner. The Group is now approaching other e-commerce platforms such as JD.com, yhd.com, Eat Right and Eat Fresh (食形食鮮), etc. to formulate in-store sales plans with a focus on the online sales of fresh food. 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 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 understanding of customers on the entire product production process and making "Putian" pork a popular product among customers, and achieving a new sales record of the Group.

### 3. Establish integrated black hog production base to meet market demand

The Group's new hog farm established in Putian has commenced operation. The construction of the new hog farm was financed by the proceeds from listing and internal capital. The farm was constructed in accordance with the standards of the existing hog farms of the Group. It has started to introduce 510 breeder black hogs in tranches from March to July this year, which will be exclusively used for producing "Putian" black hog products. In addition, the Group's Xuanhua Project in Hebei is expected to commence initial operation by the end of 2016. The initial plan was to rear a total of approximately 2,100 breeder black hogs, which will mainly include 5 species of local black hogs in China. The Group is hoping to raise up to 10 species of black hog in the future. According to the Group's plan, upon completion of the production base of Xuanhua Project, the Group will establish a large-scale feed factory, slaughterhouse as well as cooked food processing, freezing, storage and transport base in the region, such that an integrated black hog

production base will be formed. The construction of the new hog farm 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 pig production of the Group. It is expected that the new hog farm will create an additional source of income for the Group upon completion and commencement of production.

## LIQUIDITY AND FINANCIAL RESOURCES

### Financial Resources

The Group primarily finances the capital required for operations by internally generated cashflow and bank facilities. As at 30 June 2016, cash and bank balances amounted to approximately RMB19,871,000 (31 December 2015: approximately RMB3,875,000).

### Borrowings and Pledged Assets

As at 30 June 2016, the total amount of interest-bearing bank borrowings and bank overdraft were approximately RMB150 million and RMB4,262,000 respectively, all of which would be due within one year (31 December 2015: bank borrowing and bank overdraft were approximately RMB140 million and RMB2,793,000 respectively). The total amount of interest-bearing bank borrowings and bank overdraft were denominated in Renminbi and Hong Kong Dollar respectively, and on a floating interest rate.

As at 30 June 2016, the bank borrowings of approximately RMB150,000,000 was pledged by the Group's property, plant and equipment and land with a total carrying value of approximately RMB124,370,000 (31 December 2015: approximately RMB124,370,000).

### Gearing Ratio

As at 30 June 2016, the gearing ratio of the Group was approximately 53.4% (31 December 2015: approximately 50.3%). This was calculated by dividing interest bearing bank borrowings and convertible bonds with the total equity of the Group as at 30 June 2016.

## Management Discussion & Analysis (Continued)

### 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 Renminbi. Additionally, the Group has not entered into any foreign exchange hedging arrangement. The directors of the Company consider that exchange rate fluctuation had no material impact on the Company's performance.

### MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

### OPERATING LEASE COMMITMENTS

As at 30 June 2016, the Group had operating lease commitments of approximately RMB43,046,000 (31 December 2015: approximately RMB44,699,000).

### CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities (30 June 2015: Nil).

### HUMAN RESOURCES

As at 30 June 2016, the Group had 589 employees. Staff costs, including directors' emoluments, totalled approximately RMB12,369,000 (30 June 2015: approximately RMB15,412,000) during the Review Period. All of the Group's companies are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the positions offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

# Interim Financial Report

The Board of Directors (the “Board”) of China Putian Food Holding Limited (the “Company”) is pleased to present the unaudited condensed interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 with comparative figures for the corresponding period of 30 June 2015. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audited Committee.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue</b>	4	316,768	324,833
Cost of sales		(247,569)	(249,871)
<b>Gross profit</b>		69,199	74,962
Other revenue and gains	5	429	1,305
Gain arising from change in fair value less costs to sell of biological assets	12	12,777	1,065
Selling and distribution expenses		(12,576)	(13,214)
Administrative expenses		(25,083)	(31,857)
Finance costs	6	(23,553)	(20,505)
<b>Profit before taxation</b>		21,193	11,756
Taxation	7	—	—
<b>Profit for the period</b>	8	21,193	11,756
<b>Other comprehensive (loss)/income for the period, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(3,778)	963
Other comprehensive (loss)/income for the period, net of income tax		(3,778)	963
<b>Total comprehensive income for the period</b>		17,415	12,719
<b>Profit for the period attributable to owners of the Company</b>		21,193	11,756
<b>Total comprehensive income for the period attributable to the owners of the Company</b>		17,415	12,719
<b>Earnings per share attributable to owners of the Company</b>	10		(Restated)
— Basic and diluted (RMB cents per share)		1.32	0.73

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	514,647	523,522
Prepaid lease payments		101,667	103,699
Biological assets	12	6,520	3,509
Deposits paid for property, plant and equipment		22,998	24,998
		<b>645,832</b>	655,728
<b>Current assets</b>			
Inventories		46,529	40,942
Biological assets	12	96,063	73,663
Trade receivables	13	94,619	96,037
Deposits paid, prepayments and other receivables	14	83,505	52,510
Prepaid lease payments		4,821	4,822
Pledged bank deposits		6,288	5,970
Cash and bank balances		19,871	3,875
		<b>351,696</b>	277,819
<b>Current liabilities</b>			
Trade and bills payables	15	27,927	25,711
Amount due to a shareholder		9,067	—
Accruals, deposits received and other payables	16	17,914	13,594
Bank borrowings	18	150,000	140,000
Bank overdrafts		4,262	2,793
Deferred revenue		253	253
		<b>209,423</b>	182,351
<b>Net current assets</b>		<b>142,273</b>	95,468
<b>Total assets less current liabilities</b>		<b>788,105</b>	751,196

## Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2016

	<i>Notes</i>	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	As at 31 December 2015 RMB'000 (Audited)
<b>Equity</b>			
Share capital	17	65,178	65,178
Reserves		548,901	527,331
<b>Total equity</b>		<b>614,079</b>	592,509
<b>Non-current liabilities</b>			
Convertible bonds	19	170,966	155,500
Deferred revenue		3,060	3,187
		<b>174,026</b>	158,687
<b>Total equity and non-current liabilities</b>		<b>788,105</b>	751,196

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Share capital RMB'000	Share premium RMB'000	Exchange Reserve RMB'000	Statutory reserve RMB'000	Convertible note reserve RMB'000	Share options reserve RMB'000	Warrants reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2015 (Audited)	65,178	18,586	5,345	53,153	32,212	—	—	53,015	351,883	579,372
Profit for the period	—	—	—	—	—	—	—	—	11,756	11,756
Other comprehensive income for the period	—	—	963	—	—	—	—	—	—	963
Total comprehensive income for the period	—	—	963	—	—	—	—	—	11,756	12,179
Transfer to statutory reserve	—	—	—	4,880	—	—	—	—	(4,880)	—
Grant of share options	—	—	—	—	—	6,286	—	—	—	6,286
As at 30 June 2015 (Unaudited)	65,178	18,586	6,308	58,033	32,212	6,286	—	53,015	358,759	598,377
As at 1 January 2016 (Audited)	65,178	18,586	(2,846)	61,094	32,212	16,683	12,758	53,015	335,829	592,509
Profit for the period	—	—	—	—	—	—	—	—	21,193	21,193
Other comprehensive income for the period	—	—	(3,778)	—	—	—	—	—	—	(3,778)
Total comprehensive income for the period	—	—	(3,778)	—	—	—	—	—	21,193	17,415
Share option reserve	—	—	—	—	—	4,155	—	—	—	4,155
Transfer to statutory reserve	—	—	—	4,290	—	—	—	—	(4,290)	—
Grant of share options	—	—	—	—	—	—	—	—	—	—
As at 30 June 2016 (Unaudited)	65,178	18,586	(6,624)	65,384	32,212	20,838	12,758	53,015	352,732	614,079

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>15,103</b>	47,949
<b>Investing activities</b>		
Interest received	—	192
Deposits paid for property, plant and equipment	2,000	(6,325)
Purchases of prepaid lease payment	941	—
Purchase of property, plant and equipment	(471)	(73,522)
<b>Net cash generated from/(used in) investing activities</b>	<b>2,470</b>	(79,655)
<b>Financing activities</b>		
Interest paid	(12,724)	(12,590)
Proceeds from bank borrowings	38,000	—
Repayments of bank borrowings	(28,000)	(20,000)
Increase in pledged bank deposits	(318)	(4,202)
<b>Net cash used in financing activities</b>	<b>(3,042)</b>	(36,792)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,531</b>	(68,498)
Cash and cash equivalents at the beginning of the period	1,082	79,882
Effect of foreign exchange rate changes	(4)	930
<b>Cash and cash equivalents at the end of the period</b>	<b>15,609</b>	12,314
<b>Cash and cash equivalents at the end of the period</b>		
Cash and bank balances	19,871	12,314
Bank overdrafts	(4,262)	—
	<b>15,609</b>	12,314

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial information is unaudited but have been reviewed by the audit committee of the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial information are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2016.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial information are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Apply the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operation
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Method of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. Accordingly, no prior period adjustment is required. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The directors of the Company are currently assessing the impact of these new and revised HKFRSs upon but is not yet in a position to state whether they would have material financial impact on the Group’s results of operations and financial position.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 3. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of pork and hog 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 results for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

During each of the reporting period, all revenue is derived from customers in the People's Republic of China (the "PRC") and almost all the non-current assets of the Group are located in the PRC.

### 4. REVENUE

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue from		
— Retail of pork	174,366	165,041
— Wholesale of pork	121,016	145,599
— Frozen pork	9,675	14,193
— Wholesale of commodity hogs	11,711	—
	<b>316,768</b>	324,833

### 5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest income on:		
— Bank deposits	—	192
— Amortisation of deferred revenue	127	127
Gain on disposal of hog droppings	81	44
Gain on disposal of biological assets	210	360
Government grants (Note)	11	500
Sundry income	—	82
	<b>429</b>	1,305

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 5. OTHER REVENUE AND GAINS (Continued)

*Note: Government grants include subsidies received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of hog farms and slaughterhouse. Subsidies income received by a subsidiary of the Group is recognised in the condensed consolidated statements of 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. The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.*

### 6. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on:		
— Bank borrowings wholly repayable within five years	3,575	4,336
— Imputed interest charged on convertible bonds (Note 19)	19,978	16,169
	<b>23,553</b>	20,505

### 7. TAXATION

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit before taxation	21,193	11,756
Tax at the applicable income tax rate	7,273	5,305
Tax exemption for subsidiary operating in the PRC	(11,105)	(9,897)
Tax effect of expenses not deductible for tax purposes	3,251	2,667
Tax effect of tax loss not recognised	581	1,925
Income tax expenses	—	—

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 7. TAXATION (Continued)

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI during the reporting period.
- (b) No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax at the rate of 16.5% (2015: 16.5%) during the reporting period.
- (c) On 1 January 2008, the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) was repealed, and the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) ("EIT Law"), promulgated on 16 March 2007, became effective. Pursuant to the EIT Law of the PRC, the statutory tax rate of Enterprise Income Tax (the "EIT") for both domestic enterprises and foreign investment enterprises is 25%.

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

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

- (d) According to the EIT Law 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.

### 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Staff costs including director's emoluments		
Salaries and other emoluments	11,590	14,555
Retirement scheme contributions	779	857
<b>Total staff costs</b>	<b>12,369</b>	<b>15,412</b>
Depreciation of property, plant and equipment	9,313	6,156
Amortisation of prepaid lease payments	2,023	2,182
<b>Total depreciation and amortisation</b>	<b>11,336</b>	<b>8,338</b>
Equity-settled share based payment expense	—	6,289

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 9. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	Restated (Unaudited)
Earnings for the purpose of basic earnings per share	21,193	11,756

	Six months ended 30 June	
	2016	2015
	'000	'000
	(Unaudited)	Restated (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,600,000	1,600,000

### 11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired plant and machinery, office equipment, motor vehicles and construction in progress of approximately RMB Nil (2015: RMB9,690,000), RMB103,000 (2015: RMB1,107,000), RMB Nil (2015: RMB1,178,000) and RMB368,000 (2015: RMB164,607,000) respectively.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 12. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	<b>Breeder hogs</b>	<b>Commodity hogs</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2015 (Audited)</b>	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)
<b>As at 31 December 2015 and 1 January 2016 (Audited)</b>	3,509	73,663	77,172
Increase due to purchases	6,150	180,925	187,075
Increase due to raising (Feeding cost and others)	3,963	83,661	87,624
Transfer	—	—	—
Decrease due to retirement and deaths	(4,971)	(2,431)	(7,402)
Decrease due to sales	—	(254,663)	(254,663)
Change in fair value less costs to sell	(2,131)	14,908	12,777
<b>As at 30 June 2016 (Unaudited)</b>	<b>6,520</b>	<b>96,063</b>	<b>102,583</b>

Note: The Group's biological assets as at 30 June 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out by Assets Appraisal Limited (the "Valuer"). Given the nature of the biological assets where market determined prices are available, the fair values less costs to sell have been determined by the market approach based on the market-determined prices as at 30 June 2016 and 31 December 2015 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The gain arising from changes in fair value less costs to sell of biological assets of approximately RMB12,777,000 (gain recognised for the six months ended 30 June 2015: approximately RMB1,065,000) has been recognised directly in profit or loss for the six months ended 30 June 2016.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 13. TRADE RECEIVABLES

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	As at 31 December 2015 RMB'000 (Audited)
Trade receivables	<b>94,619</b>	96,037

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 each period is as follows:

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	As at 31 December 2015 RMB'000 (Audited)
Within 30 days	<b>52,500</b>	48,883
31 days to 90 days	<b>42,119</b>	47,154
91 days to 180 days	<b>—</b>	—
<b>Total</b>	<b>94,619</b>	96,037

Trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent default.

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	As at 31 December 2015 RMB'000 (Audited)
91 days to 180 days	<b>—</b>	—

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

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 14. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Other receivables	5,825	388
Other deposits paid and prepayments	77,680	52,122
	<b>83,505</b>	52,510

### 15. TRADE AND BILLS PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade payables	6,967	5,811
Bills payables (Note)	20,960	19,900
	<b>27,927</b>	25,711

Note: The Group's has pledged bank deposits of approximately RMB6,288,000 to secure bills payables as at 30 June 2016 (2015: RMB5,970,000).

The aging analysis of trade payables is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 30 days	3,459	4,124
31 days to 90 days	2,206	1,411
91 days to 180 days	1,302	276
Total	<b>6,967</b>	5,811

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

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

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 16. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Deposits received	2,484	2,663
Other payables for property, plant and equipment	7,602	3,766
Accruals and other payables	7,828	7,165
	<b>17,914</b>	13,594

### 17. SHARE CAPITAL

#### Ordinary shares

	Number of Shares	Nominal value of ordinary shares HK\$'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Authorised:</b>			
At 1 January and 30 June 2016 ordinary shares of HK\$0.05 each	80,000,000,000	4,000,000	3,240,009
<b>Issued and fully paid:</b>			
At 1 January and 30 June 2016 ordinary shares of HK\$0.05 each	1,600,000,000	80,000	65,178



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 18. BANK BORROWINGS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Bank borrowings — secured	150,000	140,000

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Carrying amount repayable: On demand or within one year	150,000	140,000

Bank borrowings at:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
— floating interest rate	150,000	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.

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

	2016 % (Unaudited)	2015 % (Audited)
Floating rate	4.85–5.60	4.85–5.60

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Property, plant and equipment	105,037	105,037
Prepaid lease payments	19,333	19,333
	124,370	124,370

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 19. CONVERTIBLE BONDS

On 18 June 2014, the Company and Vandi Investments Limited (“the Investor”), a limited liability company incorporated in the BVI indirectly and wholly-owned by CCB International (Holdings) Limited, entered into the subscription agreement in respect of the issue of the convertible bonds (“Convertible Bonds”) in the principal amount of HK\$200,000,000 equivalent to approximately RMB146,860,000 due 2017 with an annual interest rate of 9.5% payable semi-annually and bear an administrative fee of 1.0% per annum payable semi-annually in arrears. The Convertible Bonds were issued on 26 June 2014. 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\$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.

As at 30 June 2016, 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 Convertible Bonds up to and including the Maturity Date; and
- (c) any accrued but unpaid interest and administrative fee on such outstanding Convertible Bonds.

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

- (a) liability component is initially measured at fair value amounted to approximately HK\$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\$38,476,000 equivalent to approximately RMB32,212,000.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 19. CONVERTIBLE BONDS (Continued)

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

	Liability component	Equity component	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2015	129,950	32,212	162,162
Imputed interest charge	34,097	—	34,097
Interest expense charged for the year	(15,905)	—	(15,905)
Administrative fee payable	(1,674)	—	(1,674)
Exchange alignment	9,032	—	9,032
<hr/>			
As at 1 January 2016 (Audited)	155,500	32,212	187,712
Imputed interest charge	19,978	—	19,978
Interest expense charged for the period	(8,136)	—	(8,136)
Administrative fee payable	(856)	—	(856)
Exchange alignment	4,480	—	4,480
<hr/>			
<b>As at 30 June 2016 (Unaudited)</b>	<b>170,966</b>	<b>32,212</b>	<b>203,178</b>

As disclosed in the Company's announcements dated 4 July 2016 and 29 July 2016, the Company issued a notice to the Investor on 30 June 2016 to redeem the Convertible Bonds in full on the day when all the conditions set out in the notice are fulfilled (or such other date as may be agreed between the Company and the Investor) at the revised redemption amount (as specified in the notice). Please refer to the said announcements for further details of the proposed redemption.

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

#### Fair values of financial assets and liabilities carried at other than fair value

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

- the fair value of financial assets 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).

The directors consider that the carrying amounts of financial liabilities recognised in the consolidated financial statements approximate their fair value.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 21. 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 employee, director, 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 exercise price for an option shall be 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.

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).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

## 21. SHARE OPTION SCHEME (Continued)

(a) The terms, conditions and number of the grants are as follow:

Grantee	Date of grant	Exercisable period	Exercisable price per shares (adjusted by Share Subdivision on 2 July 2015) (HK\$)	No. of shares which may be issued upon exercise of the outstanding options (vested and unvested) as at 1 January 2016 (as adjusted by Share Subdivision on 2 July 2015) (‘000)	Lapsed during the period (‘000)	Excised during the period (‘000)	Balance at 30 June 2016 (‘000)
<b>Executive Directors</b>							
– Mr. Cai Chenyang	31 March 2015	31 Dec 2015 to 30 Mar 2025	0.595	21,000	–	–	21,000
	31 March 2015	31 Dec 2016 to 30 Mar 2025	0.595	24,960	–	–	24,960
	31 March 2015	31 Dec 2017 to 30 Mar 2025	0.595	26,480	–	–	26,480
– Ms. Cai Shengyin <i>(resigned with effect from 16 August 2016)</i>	31 March 2015	31 Dec 2015 to 30 Mar 2025	0.595	1,420	–	–	1,420
	31 March 2015	31 Dec 2016 to 30 Mar 2025	0.595	1,600	–	–	1,600
	31 March 2015	31 Dec 2017 to 30 Mar 2025	0.595	1,600	–	–	1,600
– Mr. Cai Haifang	31 March 2015	31 Dec 2015 to 30 Mar 2025	0.595	1,220	–	–	1,220
	31 March 2015	31 Dec 2016 to 30 Mar 2025	0.595	1,600	–	–	1,600
	31 March 2015	31 Dec 2017 to 30 Mar 2025	0.595	1,600	–	–	1,600
Employees of the Group	31 March 2015	31 Dec 2015 to 30 Mar 2025	0.595	11,020	(640)	–	10,380
	31 March 2015	31 Dec 2016 to 30 Mar 2025	0.595	17,840	(1,300)	–	16,540
	31 March 2015	31 Dec 2017 to 30 Mar 2025	0.595	20,400	(1,820)	–	18,580
				130,740	(3,760)	–	126,980

Notes:

- (a) No share options were granted during the period under review.
- (b) Share options granted are vested at the commencement of the relevant exercise period of such share options.
- (c) 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 Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 21. SHARE OPTION SCHEME (Continued)

#### (b) Fair value of share options and assumptions

The estimate of fair values of the share options granted were calculated by Asset Appraisal Limited, an independent qualified professional 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 measurement date (HK\$'000) (Note (i))	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 (ii))	53.16%	53.16%	53.16%
Dividend yield	Nil	Nil	Nil
Risk-free interest rate (Note (iii))	1.48%	1.48%	1.48%
Option Life	10 years	10 years	10 years
Exercise multiple — Directors (HK\$) (Note (iv))	2.75	2.75	2.75
Exercise multiple — Employee (HK\$) (Note (iv))	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:

- (i) Fair value of all the share options granted at 31 March 2015 were HK\$49,120,000 equivalent to approximately RMB38,697,000. After 2 staff members declined the share options to subscribe for a total of 320,000 shares with a par value of HK\$0.05 each after the Share Subdivision and the options to subscribe for a total of 32,700,000 shares with a par value of HK\$0.05 each lapsed, the adjusted fair value of all the share options granted and accepted was HK\$39,264,000 equivalent to approximately RMB30,933,000.
- (ii) Volatility represents annualized standard deviation of the weekly return of stock price of GCHE.rm, 600975.ch and 002505.ch.
- (iii) Risk free rate represents the yields to maturity of respective HKD Hong Kong Sovereign Curve.
- (iv) 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 Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2016

### 22. CAPITAL COMMITMENTS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	57,749	55,909

### 23. OPERATING LEASE COMMITMENTS

#### The Group as lessee:

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within one year	1,244	2,483
In the second to fifth years, inclusive	326	740
After five years	41,476	41,476
	43,046	44,699

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

### 24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors of the Company on 29 August 2016.

# Other Information

## 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 Vandi Investments Limited (the “Investor”) on 26 June 2014, Mr. Cai Chenyang (an indirect controlling shareholder of the Company and the chairman of the Board) should remain as the single largest legal and beneficial owner of the issued shares or the controlling shareholder of the Company, the 100% legal and beneficial owner of the issued shares in Zhan Rui Investments Limited (“Zhan Rui”) and the chairman of the Board, and Zhan Rui and Mr. Cai Chenyang should control more than 50% of the voting rights in the Company; otherwise, it would be event(s) of default and 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 event of default in accordance with the conditions of the Convertible Bonds.

Although the Convertible Bonds were to be due in 2017, as disclosed in the Company’s announcements dated 4 July 2016 and 29 July 2016, the Company issued a notice to the Investor on 30 June 2016 to redeem the Convertible Bonds in full on the day when all the conditions set out in the notice are fulfilled (or such other date as may be agreed between the Company and the Investor) at the revised redemption amount (as specified in the notice). Please refer to the said announcements for further details of the proposed redemption.

## SHARE CHARGE BY THE CONTROLLING SHAREHOLDER

On 26 June 2014, 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) as continuing security for the payment and discharge of all obligations and liabilities due, owing or incurred by the Company, Zhan Rui, or any of their respective affiliates to the Investor under or pursuant to, among others, the subscription agreement in relation to the Convertible Bonds, the bond instrument constituting the Convertible Bonds, and the Share Charge Deed.

## DISCLOSURE OF INTERESTS

### Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 30 June 2016, the interests and short positions of the directors and chief executive in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”) as recorded in the register of interest required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules (“Model Code”) were as follows:

#### Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares and underlying shares of the Company held	Approximate percentage of the issued share 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%



## Other Information (Continued)

### Notes:

- (1) Among the 888,440,000 shares/underlying shares held, Mr. Cai Chenyang is deemed to be interested in 816,000,000 shares of the Company, which are held by Zhan Rui Investments Limited ("Zhan Rui"), a corporation controlled by Mr. Cai Chenyang, while he holds derivative interest in 72,440,000 underlying shares as beneficial owner pursuant to physical settled equity derivatives.
- (2) Mr. Cai Haifang held derivatives interest in 4,420,000 underlying shares in the Company as beneficial owner pursuant to physically settled equity derivatives.
- (3) Ms. Cai Shengyin (who has resigned with effect from 16 August 2016) held derivatives interest in 4,620,000 underlying shares in the Company as beneficially owner pursuant to physically settled equity derivatives.

### 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 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.

### Interest in associated corporation — long position in the shares of Zhan Rui

Name	Nature of interest	Number of shares	Approximate percentage of the issued share of the associated corporation
Mr. Cai Chenyang (Note 1)	Beneficial owner	1,000	100%

Save as disclosed above, as at 30 June 2016, 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) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information (Continued)

### Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2016, the interest or 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 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%
Mr. Song Tieming	Beneficial owner	90,256,000	5.64%
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 is deemed to be interested in 816,000,000 shares of the Company, which are held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.
- (2) Such long position includes (a) security interests in 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 408,000,000 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, 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 30 June 2016, no person (other than the directors or chief executive of the Company) had any interests or short positions in the 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.

## Other Information (Continued)

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Period.

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, during the six months ended 30 June 2016, complied with all applicable code provisions of the Code.

Code A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer 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 director is beneficial to the business prospect of the Group.

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the code provisions of the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry with all the directors of the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2016.

### AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Wu Shiming, Mr. Cai Zirong and Mr. Wang Aiguo. The Audit Committee is chaired by Mr. Wu Shiming.

The Audit Committee had reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016, including the accounting principles adopted by the Group, and took the view that the Company was in full compliance with all applicable accounting standards and regulations and adequate disclosures had been made.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") which had become effective upon the commencement of dealings of the shares of the Company (the "Shares") on the Stock Exchange on 13 July 2012. 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).

## Other Information (Continued)

The following table discloses the terms, conditions and movements of the Company's share options during the period under review:

Grantee	Date of grant	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 outstanding options (vested and unvested) as at		Lapsed/ cancelled during the period ('000)	Exercised during the period ('000)	Balance as at 30 June 2016 ('000)
				1 January 2016 (as adjusted by Share Subdivision on 2 July 2015) ('000)	2 July 2015) ('000)			
<b>Executive Directors</b>								
— Mr. Cai Chenyang	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	21,000	—	—	21,000	
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	24,960	—	—	24,960	
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	26,480	—	—	26,480	
— Ms. Cai Shengyin <i>(resigned with effect from 16 August 2016)</i>	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,420	—	—	1,420	
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	1,600	
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	1,600	
— Mr. Cai Haifang	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,220	—	—	1,220	
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	1,600	
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	1,600	
Employees of the Group	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	11,020	(640)	—	10,380	
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	17,840	(1,300)	—	16,540	
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	20,400	(1,820)	—	18,580	
				130,740	(3,760)	—	126,980	

## Other Information (Continued)

Notes:

- (a) No share options were granted during the period under review.
- (b) Share options granted are vested at the commencement of the relevant exercise period of such share options.
- (c) 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.

Set out below is a summary of the Share Option Scheme:

### Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and motivate the contribution of employees (which include full time and part time employee, executive and non-executive director and proposed executive and non-executive director) of the Group and other person(s) who may make a contribution to the Group and to provide incentives and help the Company retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

### Participants of the Share Option Scheme

The participants of the Share Option Scheme (the "Participant") to whom options may be granted by the Board shall include any full time or part time employee (including any executive and non-executive director and proposed executive and non-executive director), advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group.

### Total number of Shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the date of annual general meeting held on 29 June 2015, at which the scheme mandate limit has been refreshed and renewed by an ordinary resolution passed by the Shareholders, i.e. 160,000,000 shares with a par value of HK\$0.05 each after the share subdivision. In addition, the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

### Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant to each Participant under the Share Option Scheme shall not exceed 1% of the Shares for the time being in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting with the grantee and his associates abstaining from voting. Options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

## Other Information (Continued)

### Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not be more than 10 years from the date on which an option is granted to any Participant and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

### Payment on acceptance of option offer

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.

### Basis of determining the exercise price

The exercise price for the share under the Share Option Scheme will be a price determined by the Board at its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the five trading days immediately preceding the date of the grant; or (iii) the nominal value of a share.



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