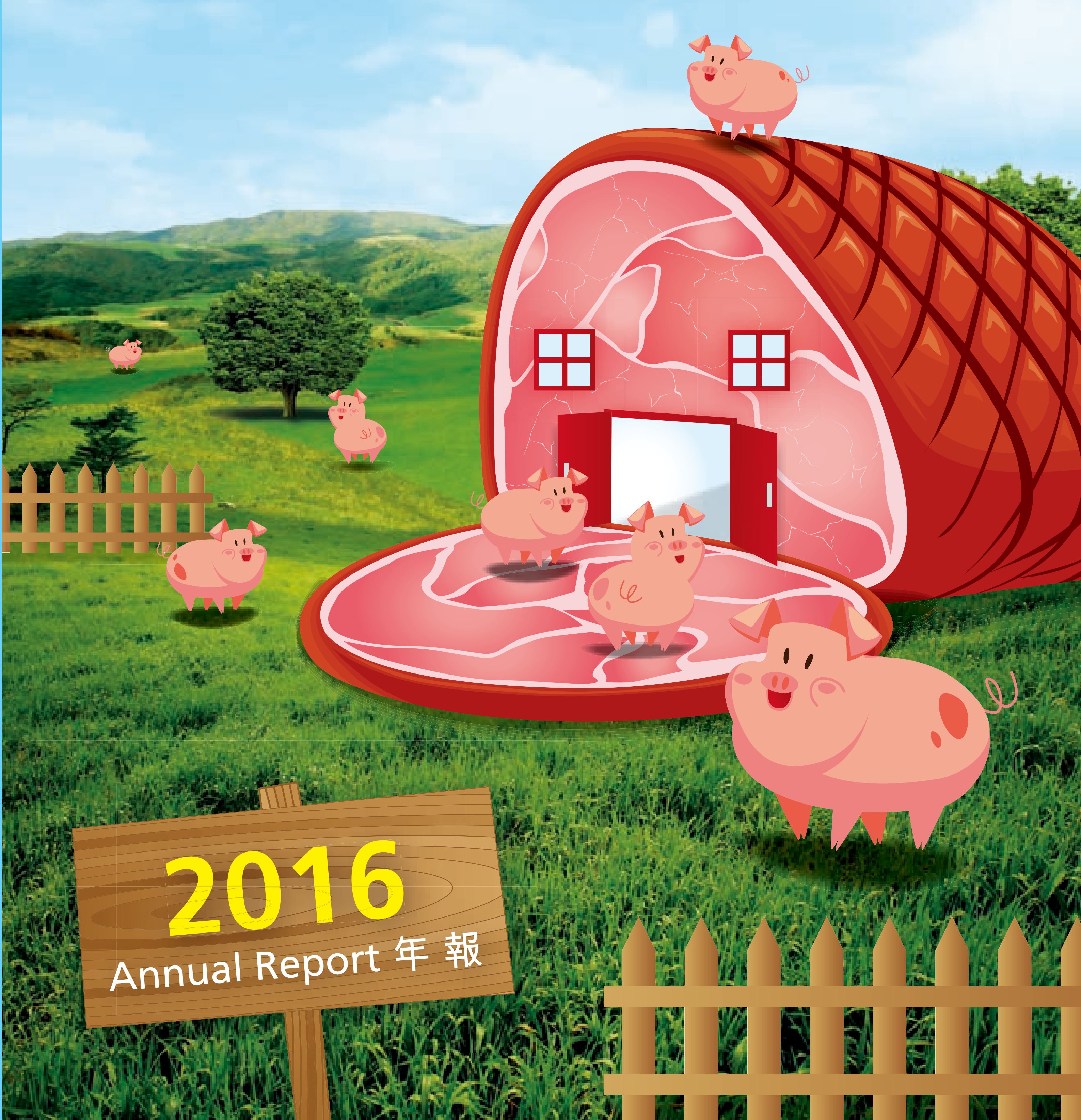
普甜
PUTIAN

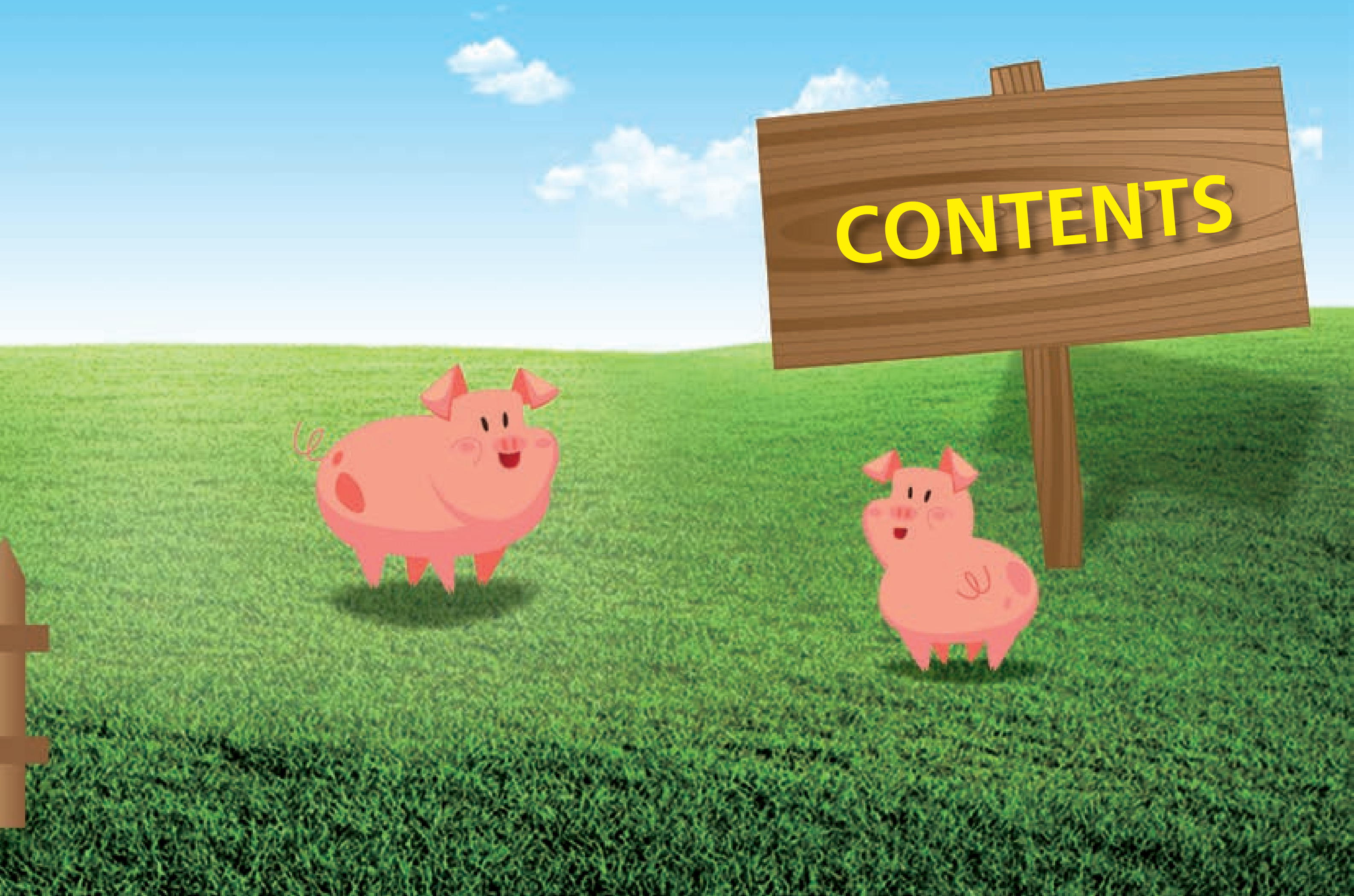
CHINA PUTIAN FOOD HOLDING LIMITED
中國普甜食品控股有限公司

(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




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



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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Cai Chenyang *(Chairman and Chief Executive Officer)*
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 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

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Putian City, Fujian Province
the PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.putian.com.hk

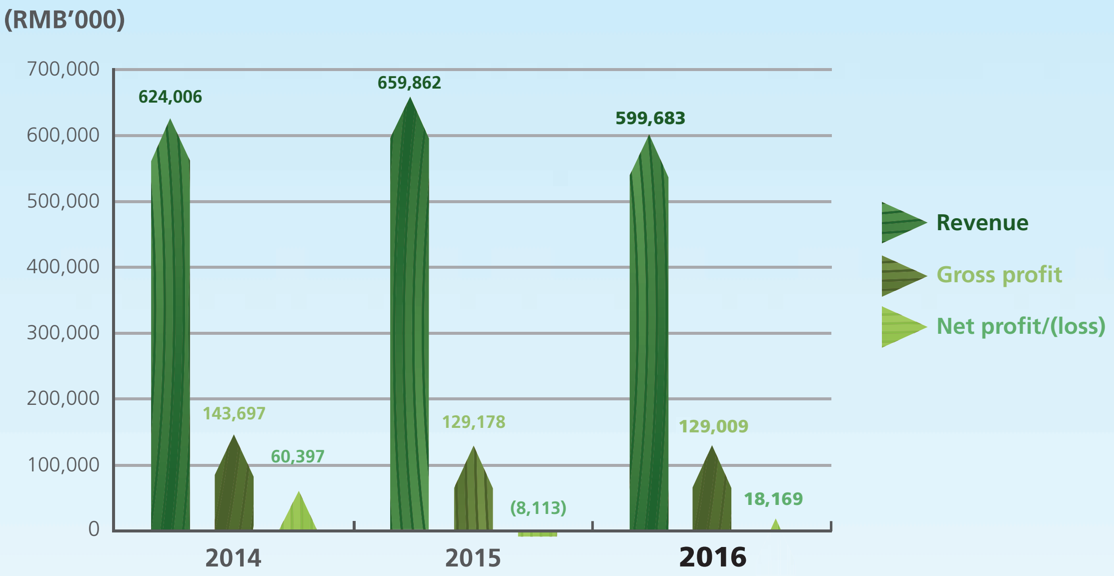
STOCK CODE

1699

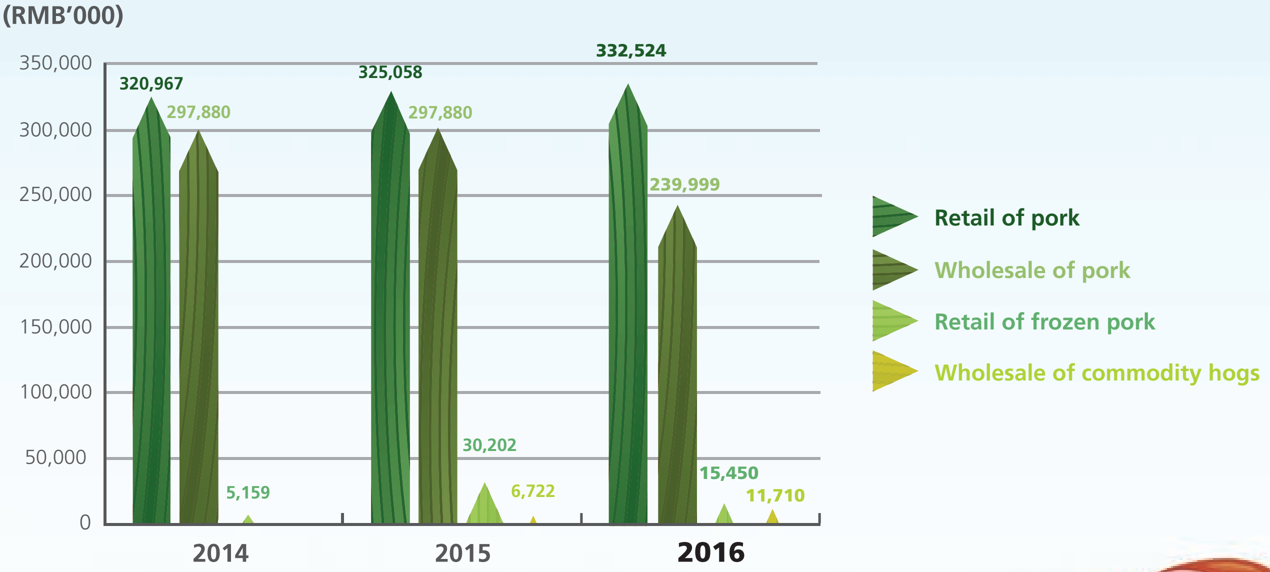
FINANCIAL HIGHLIGHTS

	Year 2014 RMB'000	Year 2015 RMB'000	**Year 2016 RMB'000**
Revenue	624,006	659,862	**599,683**
Gross profit	143,697	129,178	**129,009**
Net profit/(loss)	60,397	(8,113)	**18,169**
Revenue by products			
— Retail of pork	320,967	325,058	**332,524**
— Wholesale of pork	297,880	297,880	**239,999**
— Retail of frozen pork	5,159	30,202	**15,450**
— Wholesale of commodity hogs	—	6,722	**11,710**

REVENUE, GROSS PROFIT AND NET PROFIT/(LOSS)



REVENUE BY PRODUCTS



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of China Putian Food Holding Limited (the "Company"), I am pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 ("Reporting Period").

BUSINESS REVIEW

In 2016, the world economy was still recovering slowly and showed an uneven performance. Under such macro environment, China's economy was running rather steadily with a GDP growth rate of 6.7%. Meanwhile, consumption had become a major driving force for China's economic growth. Since 2010, the weighting of consumption expenditure in China's GDP has been rising continuously. In 2016, the scale of China's consumer product market ranked second in the world and its final consumption expenditure accounted for over 8% of the total global consumption. Consumption is boosting China's economic growth effectively and it can be seen that economic growth has played a more pivotal role in further improving people's well-being.

Therefore, the Group continues to be optimistic about the high-end pork market in China. Since launching the brand of "Putian Black Pearl" in 2014, we have been actively promoting the sale of pork products from black hogs and have established diversified sales channels, including supermarkets, membership (packages), gift consumption, bulk-purchasing customers, e-commerce, distributors and food and beverage industry. A series of product packages was introduced in 2016, including Pregnancy Nourishment Package, Happy Child Package, monthly package, quarterly package, yearly package, etc., and with delivery service upon customers' requests. On 7 December 2016, the Group entered into an agreement to acquire Putian Xianglixiang Black Pig Development Co., Ltd.*, which is engaged in the business of, among others, breeding and raising black hogs, so as to promote the business development of the Group and increase the Group's production capacity. During the Reporting Period, the sales revenue from "Putian Black Pearl" products amounted to approximately RMB86,717,000, increased by 443.14% as compared to approximately RMB15,966,000 for the preceding year; it also accounted for 14.46% of the total revenue, representing a growth of 12.04% as compared to the preceding year.

During the Reporting Period, the Group received the accreditation to export to Hong Kong and introduced product packages, including loin, belly, tenderloin, ham, spare ribs and back ribs, for the Hong Kong market in accordance with the production and processing standards on fresh and raw products exporting to Hong Kong. An online platform for exporting fresh and raw products to Hong Kong was also set up. The business of exporting fresh and raw products to Hong Kong has opened up a new market for the "Putian" brand and broadened the Group's source of revenue.

In 2016, the Group's pork retail business continued to grow, bringing in a revenue of approximately RMB332,524,000, which increased by 2.3% as compared to the same period of the preceding year and represented 55.4% of the Group's total revenue (2015: 49.3%). The Group continued to cooperate closely with the largest supermarket over the globe and the chained supermarkets which have branches nationwide in China, which included opening the Putian Wal-mart Store, Hanjiang New Huadu and other outlets as well as the Wulicai and Shuntianfu Supermarkets outlets, both in Beijing area, in 2016. As at 31 December 2016, the Group had in total 49 retail counters in supermarkets; other than the 4 newly opened counters, there were also counters in supermarkets and department stores with regional influence such as the Beijing New World outlet and Beijing C.P. Lotus, Fujian New Huadu, Wal-mart, China Resources Vanguard, Century Lianhua, RT-Mart, Rainbow, etc. Meanwhile, the Group also had 16 direct sales retail outlets of its own. The Group had online stores covering the eastern coastal area of Fujian, including Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou, and had expanded to Beijing and Hangzhou. The Group is now actively identifying suitable stores in Hong Kong.

During the Reporting Period, the pork wholesale business generated a revenue of approximately RMB239,999,000 for the Group, representing 40% of the total revenue. Since the slaughterhouse of the Group commenced operation in August 2009, the wholesale of pork, which mainly comprised whole hog carcasses, heads, intestines and internal organs, has been contributing considerable revenue for the Group. The Group's wholesale customers mainly comprised individual pork product traders within Fujian Province and in the Yangtze River Delta Region. As of 31 December 2016, the Group has entered into contracts with 4 individual pork product traders, which provide a stable source of revenue for the Group.

Being one of the leading pork suppliers in Fujian Province, the Group has been upholding the Group's mission of "creating gratifying life for the general public" since its incorporation. The Group is 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 Group continued to upgrade its farming and production facilities in Xuanhua, Hebei. The new hog farm project of Xuanhua Putian in Hebei has commenced full production and is operating satisfactorily with capacity utilisation rate reaching 2%. According to our plan, the new hog farm in Putian will be specialised in raising "Putian" black hogs. With 1,012 black hogs moving out of the curtain-barns in the year of 2016 and a utilisation rate of 10%, it laid a good foundation for the continuous development of the business of the Putian black hog products.

PROSPECTS

As the largest pork consumption market over the globe, the pork market in China has a favourable outlook. According to the information from the National Bureau of Statistics of China, China's total production volume of pork was 52.99 million tones in 2016, representing a decrease of 3.4% as compared to the preceding year while the average price of pork surged by 16.9%, primarily due to the insufficient supply of hogs. On the other hand, the government has strengthened the law enforcement on food safety regulations and only competent pork enterprises can survive in the market. At the same time, the disposable income per capita in China is increasing in tandem with the population of the middle class, so nutritional and delicious high-end food is being increasingly sought after by the general public, and all these factors contribute to the development of high-end pork market.

As a listed hog farming base and pork sale company, the Group is actively expanding its business presence in the pork market. The Group's "Putian Black Pearl" brand has successfully penetrated the market of high-end pork brands and the commencement of the business of exporting to Hong Kong has opened up a new market for the Group. Looking forward, the main development goals of the Group are as follows: Firstly, leveraging the geographical advantages of the black hog farming base, the Company will develop "Putian Black Pearl" into a well-known 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 across the country, the Company will secure its advantages in terms of both industry and policy, and collect resources and breeds of various rare and precious hogs in China. Thirdly, the Company will develop innovative sales model and expand its sales channels. New "Putian" black hog direct sales outlets and outlets in Phoenix Department Store in Putian area and quality stores and direct sales brand stores in Beijing area are planned to be open in 2017.

The Group has set up a systematic development plan for the high-end product line of "Putian Black Pearl", including formulating effective advertising and promotion plans, staff recruitment proposals in line with development tasks, detailed target-oriented plans, comprehensive sales plans, effective execution plans, stringent execution monitoring plans and efficient incentive plans. "Putian Black Pearl" brought significant income to the Group in the previous year and it is expected that it will continue to be a key growth driver of the Group in the future.

I believe that with the advantages built up over the 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 thank the management team and all staff members for all their hard work and contribution. From breeding, feeding to slaughtering, packaging and sales, etc., only when every stage is being handled carefully and seriously, can the "Putian" pork served on our end-consumers' dining tables be guaranteed safe and delicious, thus winning the trust of millions of families in China. I have full confidence in the future development of the Group. I will also make concerted efforts with the Group as a whole to develop the "Putian" brand into "the No. 1 brand of high-end safe pork in China" by constantly enhancing the quality and reputation of "Putian" pork products.

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

Hong Kong, 30 March 2017

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's large-scale vertically integrated pork products supply service covers the procedures from hog farming, hog slaughtering, pork separating to sales and distribution with a well-developed operation model. The major physical sales markets of the Group are distributed in Fujian and Beijing and the Group has also set up complementary e-commerce sales channels. The main pork products of the Group include chilled whole hog carcasses, separated pork, frozen pork (for retail), and by-product of internal organs, etc. With its expanding sales network and rising brand awareness, the Group has continued to consolidate its leading position among the brands of pork in Fujian Province of China.

INDUSTRY REVIEW

In 2016, the global economic and political environment was relatively unstable. Although the overall economic growth rate of China has slowed down, it has still managed to buck the international trend and recorded stable growth. According to the National Bureau of Statistics, the annual GDP of China for 2016 is RMB74.4127 trillion, up 6.7% as compared to the previous year; the per capita annual disposable income of urban residents is RMB33,616, representing an increase of 5.6% year-on-year. From a macro perspective, the continuous steady rise in household income is favourable to the consumption market both in terms of scale and quality.

In order to take the domestic food industry forward and give confidence to the public about food quality, the Chinese government made strenuous effort to address food safety problems in recent years by promoting stringent supervision and law enforcement. With the implementation of the revised "Food Safety Law of the People's Republic of China", the demand for high-quality food of consumers has been on the rise. Under such backdrop, it is necessary for food enterprises to actively upgrade their own requirements and standards, such as establishing food tracing system, to meet the expectation and demand of the general public for high-quality food safety. With its entrenched position in the high-end pork products market in the coastal regions in Fujian and its advantage of being an integrated food enterprise, the Group has sufficient capital, equipment and technology to upgrade food standards and is well positioned to offer full guarantee to the public in terms of quality.

During the year, the Ministry of Agriculture promulgated the "National Production and Development Plan of Hog (2016–2020)" to advocate the industry development direction of "upgrading quality, enhancing efficiency, stabilising supply, ensuring safety and nurturing the ecology" with the goal of increasing capability in a comprehensive manner, promoting the sustainable development of the industry and enhancing the competitiveness of the industry in the international market. The development plan outlined the eight key issues of the future development of hog production: develops the modern hog breeding industry; enhances the development of the feed and veterinary medicine industry; develops standardised large-scale breeding; promotes comprehensive use of wastes; enhances the management of hog slaughterhouses; establishes quality and safety tracing system; promotes industrialised operation and socialised services, and strengthens the prevention and control of epidemic diseases of hog. The Group's slaughterhouse is the only recognised "5-star" slaughterhouse in compliance with the national standards in Putian City, Fujian Province, and the Group's manufacturing equipment and operation model possesses great potential to develop in line with the new direction of and consolidate its leading position in the hog industry in Fujian Province. In addition, the increasingly popular "Putian" brand has started to enter into sales networks outside Fujian Province.

BUSINESS REVIEW

For the year ended 31 December 2016 (the "Reporting Period"), the Group recorded revenue of approximately RMB599,683,000, representing a decrease of 9.1% as compared to the preceding year; the Group recorded a net profit of approximately RMB18,169,000 (while loss for the year of approximately RMB8,113,000 was recorded for the year ended 31 December 2015). The decrease in revenue was mainly due to the decrease in sales of pork products by approximately 26% as China's macro economy has slowed down, leading to weak end-product demand and consumer spending. Yet, the Group actively promoted the sale of pork from black hogs during the year, which generated a relatively high level of gross profit as expected.

Due to the rise in market demand for high-end pork, the Group continued to allocate more resources to the brand covering the entire black hog industrial chain — "Putian Black Pearl". During the Reporting Period, the black hog farm in Xuanhua, Hebei has commenced preliminary production since December 2016 and is operating satisfactorily. No black hog was moved out of the curtain-barns during the year and the number of hogs on hand by the end of the year was about 303, with capacity utilisation rate reaching 2%. In addition, the hog farm in our headquarters in Putian of Fujian is also operating satisfactorily; 1,012 black hogs were moved out of the curtain-barns during the year and the number of hogs on hand by the end of the year was approximately 1,549, with capacity utilisation rate reaching 10%. This hog farm is specialised in raising "Putian" black hogs following the established production business plan of the Group. The smooth operation of the projects mentioned above contributes to the effective utilisation of the production capacity of self-owned slaughter houses, and lessens the reliance on contract farmers and suppliers of commodity hogs, thus fundamentally improving the integrated business and also ensuring the quantity and quality of the Group's hogs.

Other than strengthening the production capacity, the Group is also putting effort into expanding sales. During the year, newly added retailers were distributed in Putian and Beijing regions and the Group was qualified to export frozen pork products to Hong Kong and introduced product packages in accordance with the production and processing standards on frozen meat products exporting to Hong Kong, which include loin, belly, tenderloin, ham, spare ribs and back ribs. On the other hand, the Group emphasises the development of e-commerce platforms; the platforms in use include Minsheng E-commerce platform and the online platform for exporting fresh and raw products to Hong Kong. Such efforts clearly show that the Group has been optimising and adjusting the current business with acute market sense.

In 2016, the "Putian Black Pearl" product series has gradually become a significant source of sales for the Group, accounting for 14.46% of the total sales income of the reporting year. As at 31 December 2016, the sales channels for the "Putian Black Pearl" series included supermarkets, membership (packages), gift consumption, bulk-purchasing customers, e-commerce, distributors and food and beverage industry. During the year, the Group has introduced new products in the form of packages for this product series, e.g., Pregnancy Nourishment Package, Happy Child Package, monthly package, quarterly package and yearly package, etc., and with delivery service upon customers' requests.

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			
	2016		2015	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Revenue				
Retail of pork	**332,524**	**55.4**	325,058	49.3
Wholesale of pork	**239,999**	**40.0**	297,880	45.1
Retail of frozen pork	**15,450**	**2.6**	30,202	4.6
Wholesale of commodity hogs	**11,710**	**2.0**	6,722	1.0
	599,683	**100**	659,862	100

The total revenue of the Group decreased by 9.1% from approximately RMB659,862,000 for the year ended 31 December 2015 to approximately RMB599,683,000 for the year ended 31 December 2016. During the Reporting Period, the drop in overall sales income was due to the adverse impact of the slowdown in China's economy. Nevertheless, the Group has always been actively strengthening and expanding its sales network and pursuing the highest food safety standard to gain consumers' faith and recognition for the "Putian" brand.

Revenue from Retail of Pork

The Group's revenue from retail of pork increased by nearly 2.3% from approximately RMB325,058,000 for the year ended 31 December 2015 to approximately RMB332,524,000 for the year ended 31 December 2016. Under the network expansion plan implemented by the Group, during the Reporting Period, 2 retail counters were opened in Putian area, namely Putian Wal-mart Store and Hanjiang New Huadu; 2 retail counters were opened in Beijing area, namely Wulicai and Shuntianfu Supermarkets; the Group was qualified to export frozen pork products to Hong Kong during the year and is now actively identifying suitable stores in Hong Kong to sell its product packages for the Hong Kong market. As at 31 December 2016, the Group had 49 retail counters, mainly 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 retail sales through certain influential counters in supermarkets or department stores such as New World and C.P. Lotus Corporation. The Group also had 16 direct sales retail outlets of its own, which were located in Putian and Fuzhou. The management expects that with the rising confidence and reputation of the "Putian" brand among customers and the expanding brand distribution network brought about by the Group's network advertising activities, the revenue from retail of pork will increase accordingly.

Revenue from Wholesale of Pork

For the year ended 31 December 2016, revenue from the wholesale of pork of the Group was approximately RMB239,999,000, representing a decrease of 19.4% as compared to RMB297,880,000 for the year ended 31 December 2015. The change in revenue is mainly due to the new product structure which put more focus on promoting black pork which are with longer breeding period leading to lower sales volume and revenue.

Revenue from Retail of Frozen Pork

Sales revenue from frozen pork products decreased by 48.8% from approximately RMB30,202,000 for the year ended 31 December 2015 to approximately RMB15,450,000 for the year ended 31 December 2016. Our frozen pork products are mainly sold to renowned meat processors in Fujian Province. The drop in revenue from retail of frozen pork is mainly due to the optimisation of customer base and development of high-end customers who are less likely to purchase frozen pork.

Revenue from Wholesale of Commodity Hogs

Revenue from wholesale of commodity hogs increased by 74.2% from approximately RMB6,722,000 for the preceding year to RMB11,710,000 for the year ended 31 December 2016. The Group will continue to make an all-out effort to develop high-end pork products and expand its product type and sales channels in order to meet the demand for high-end products of consumers.

2. Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2016		2015	
	RMB'000	**Gross Profit Margin (%)**	RMB'000	Gross Profit Margin (%)
Gross Profit and Gross Profit Margin				
Retail of pork	**79,135**	**23.8**	73,598	22.6
Wholesale of pork	**47,789**	**19.9**	54,809	18.4
Retail of frozen pork	**951**	**6.2**	593	2.0
Wholesale of commodity hogs	**1,134**	**9.7**	178	2.7
	129,009	**21.5**	129,178	19.6

The overall gross profit of the Group notched a slight drop of approximately 0.1% from approximately RMB129,178,000 for the year ended 31 December 2015 to approximately RMB129,009,000 for the year ended 31 December 2016. The overall gross profit margin of the Group increased from approximately 19.6% for the year ended 31 December 2015 to approximately 21.5% for the year ended 31 December 2016. The increase in gross profit margin is mainly due to the commencement of sale of black pork in Fujian Province during the Reporting Period, which led to higher gross profit. Nevertheless, the overall sales volume of the Group decreased by approximately 26%, mainly due to the fact that the breeding period of black pigs is longer than white pigs by approximately 30%.

Gross Profit and Gross Profit Margin for the Retail of Pork

Gross profit for the retail of pork increased from approximately RMB73,598,000 for the year ended 31 December 2015 to approximately RMB79,135,000 for the year ended 31 December 2016. Gross profit margin for the retail of pork increased by approximately 22.6% for the year ended 31 December 2015 to approximately 23.8% for the year ended 31 December 2016. The increase in gross profit and gross profit margin for the retail of pork is mainly due to the commencement of sale of black pork in Fujian area.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

Gross profit for the wholesale of pork decreased from approximately RMB54,809,000 for the year ended 31 December 2015 to approximately RMB47,789,000 for the year ended 31 December 2016. Gross profit margin for the wholesale of pork increased from approximately 18.4% for the year ended 31 December 2015 to approximately 19.9% for the year ended 31 December 2016. The drop in gross profit for the wholesale of pork is mainly due to the decrease in sale volume and the rise in gross profit margin is mainly due to the commencement of sale of black pork in Fujian area.

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

Frozen pork business is relatively new to the Group. For the year ended 31 December 2016, gross profit from frozen pork was approximately RMB951,000 (for the year ended 31 December 2015: approximately RMB593,000) while gross profit margin was approximately 6.2% (for the year ended 31 December 2015: 2.0%). As the frozen pork business is still relatively new, the Group will closely monitor market changes and adjust the supply of frozen pork accordingly in order to optimise the overall gross profit of the Group.

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

For the year ended 31 December 2016, gross profit for wholesale of commodity hogs was approximately RMB1,134,000 (for the year ended 31 December 2015: approximately RMB178,000) while gross profit margin was approximately 9.7% (for the year ended 31 December 2015: 2.7%). Since the commodity hogs wholesale business is still relatively new, the Group will closely monitor market changes and adjust the supply of commodity hogs accordingly in order to boost overall gross profit.

3. Profit for the year

For the year ended 31 December 2016, the Group recorded a profit of approximately RMB18,169,000 (for the year ended 31 December 2015, there was a loss of approximately RMB8,113,000) which was mainly due to (i) the increase in gain arising from change in fair value less costs to sell of biological assets to approximately RMB2,024,000 for the year ended 31 December 2016, while for the year ended 31 December 2015 there was a loss arising from change in such fair value of RMB2,725,000; (ii) gain arising from fair value change of derivation financial liabilities of convertible bonds of approximately RMB9,077,000 due to the issue of the new convertible bonds in the principal amount of HK$150,000,000 due 2018 with an annual interest rate of 5% payable semi-annually in arrears and an administrative fee of 2% per annum which was deducted as a lump sum from the issue price at the closing of the subscription and issue of such convertible bond on 13 October 2016 issued by the Company to Vandi Investments Limited on 13 October 2016 (the "Convertible Bond due 2018"); and (iii) the decrease in the administrative expenses from approximately RMB47,734,000 for the year ended 31 December 2015 to approximately RMB37,748,000 for the year ended 31 December 2016 which was mainly due to the decrease of advertising expenses, PRC related tax, office expenses, staff costs and employee stock options expenses, and partially offset by the increase in loss of disposal of building parts of approximately RMB4,786,000 for the year ended 31 December 2016 compared to the year ended 31 December 2015; even though there was an increase in finance costs of approximately RMB4,728,000 year-on-year mainly due to the increase in imputed interest of the convertible bonds in the principal amount of HK$200,000,000 due 2017 with an annual interest rate of 9.5% payable semi-annually in arrears and an administrative fee of 1.0% per annum payable semi-annually in arrears issued by the Company to Vandi Investments Limited on 26 June 2014 (the "Convertible Bonds due 2017"), the Convertible Bond due 2018 and the non-convertible note in the principal amount of HK$110 million due 2018 with an annual interest rate of 6% payable semi-annually in arrears and an administrative fee of 2% per annum which was deducted as a lump sum from the issue price at the closing of such note on 13 October 2016 issued by the Company to Vandi Investments Limited on 13 October 2016 (the "Note"), and the early redemption of the Convertible Bonds due 2017.

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 2016, cash and cash equivalents amounted to approximately RMB13,088,000 (31 December 2015: approximately RMB3,875,000). As of 31 December 2016, the net cash generated from operating activities amounted to approximately RMB36,057,000 (31 December 2015: approximately RMB52,480,000).

Redemption and Issue of Convertible Bond

On 18 June 2014, the Company and Vandi Investments Limited entered into a subscription agreement in respect of the issue of Convertible Bonds due 2017. The Company issued the Convertible Bonds due 2017 on 26 June 2014. The information regarding the Convertible Bonds due 2017 are summarized in note 28 to the consolidated financial statements and the Company's announcement dated 18 June 2014. On 13 October 2016, the early redemption of the Convertible Bonds due 2017 took place.

On 28 September 2016, the Company, Vandi Investments Limited and Mr. Cai Chenyang entered into a subscription agreement in respect of the issue of the Convertible Bond due 2018 and the Note. The Convertible Bond due 2018 and the Note were issued by the Company on 13 October 2016. Unless previously redeemed, repurchased and cancelled or converted, the bondholder of the Convertible Bond due 2018 has the right to convert such bond into fully-paid shares of the Company at the conversion price of HK$0.55 per share at the election of the bondholder, at any time from the issue date of the Convertible Bond due 2018 to 5:00 p.m. on the day which is five (5) business days before the date falling 2 years after the issue date, by completing, executing and depositing a conversion notice at a specified office as set out in the relevant bond instrument. The said conversion price is subject to adjustments in accordance with the terms and conditions of the Convertible Bond due 2018, details of which are set out in the Company's announcement on 28 September 2016.

The Company is of the view that the issue of the Convertible Bond due 2018 and the Note is in the interests of the Company, since the Company believes that the additional fund would foster the Group's business expansion in the area of black hog farming. Also, the relevant terms of the Convertible Bond due 2018 and the Note are in general more favourable to the Company than those of the Convertible Bonds due 2017. The details of the reason for the issue of the Convertible Bond due 2018 and the Note are set out in the announcement of the Company dated 28 September 2016.

The other information regarding the Note and Convertible Bond due 2018, and the early redemption of the Convertible Bonds due 2017 are set out in notes 26 and 28 to the consolidated financial statements and the Company's announcements dated 4 July 2016, 29 July 2016, 28 September 2016 and 13 October 2016.

Use of proceeds of Convertible Bonds and Note

(1) Out of the net proceeds of approximately HK$199 million from the issue of the Convertible Bonds due 2017, approximately HK$143 million has been applied to the construction of hog farms and the acquisition of equipment for the hog farms of the Group, and the remaining amount of approximately HK$56 million has been used as the general working capital of the Group. In this regard, such net proceeds have been applied in accordance with the intended uses previously disclosed in the announcement of the Company dated 18 June 2014, i.e. for business development of the Group as well as general working capital

(2) Out of the net proceeds of approximately HK$220.2 million from the issue of the Convertible Bond due 2018 and the Note, approximately HK$208.6 million were applied to pay for the redemption of the Convertible Bonds due 2017, and the remaining amount of net proceeds of approximately HK$11.6 million has been fully utilised for the general working capital of the Group. In this regard, the said net proceeds have been applied in accordance with the intended uses previously disclosed in the announcement of the Company dated 28 September 2016, i.e. for redemption of the Convertible Bonds due 2017, developing the business of black hog farming and/or providing general working capital for the business of the Group.

Use of proceeds of Warrants

On 9 October 2015, the Company issued 160,000,000 unlisted warrants ("Warrants") at HK$0.05 each to nine subscribers, pursuant to which the subscribers has the right to, in accordance with the terms and conditions of the relevant warrant instrument, subscribe for an aggregate of up to 320,000,000 ordinary shares of the Company at HK$0.65 each (subject to adjustment set out in the relevant warrant instrument) at any time within the period of two years ending 9 October 2017 by completing and signing a subscription form and delivering the relevant warrant certificate to the registrar of the register of warrantholders together with a cheque in the relevant subscription amount made payable to the Company. The net proceeds of approximately HK$7.2 million from the issue of the Warrants have been applied to provide for the general working capital of the Group. In this regard, such net proceeds have been applied in accordance with the intended uses previously disclosed in the announcement of the Company dated 8 April 2015 and the circular of the Company dated 19 August 2015, i.e. as the general working capital of the Group.

Bank borrowings, Note, Bank Overdrafts and Pledged Assets

As at 31 December 2016, the total amounts of interest-bearing bank borrowings, Note and bank overdrafts were approximately RMB150,000,000, RMB95,071,000 and RMB4,413,000 respectively, which was due within one year (31 December 2015: bank borrowing and bank overdrafts of approximately RMB140,000,000 and RMB2,793,000 respectively) and all of which was denominated in RMB and bearing interest at floating rate. As at 31 December 2016, the bank borrowings of approximately RMB150,000,000 were secured by pledge/charge over the Group's property, plant and equipment and land with total carrying value of approximately RMB135,969,000 (31 December 2015: approximately RMB124,370,000), and secured by guarantees provided by Company and Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group.

Gearing Ratio

As at 31 December 2016, the gearing ratio of the Group was 55.8% (31 December 2015: 50.3%). This was calculated by dividing interest-bearing borrowings, bank overdrafts and convertible bonds by the total equity of the Group as at 31 December 2016.

Foreign Exchange Risk

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

* *For identification purposes only*

Material Acquisition of a Subsidiary

On 7 December 2016, the Group entered into a sale and purchase agreement to acquire 100% equity interest of 莆田市鄉里香黑豬開發有限公司 (Putian Xianglixiang Black Pig Development Co., Ltd.*) (the "Target Company") through its indirect wholly-owned subsidiary Tianyi (Fujian) Modern Agriculture Development Co. Ltd.* at a consideration of RMB28,000,000 (equivalent to approximately HK$31,500,000). After the completion of the registration of transfer of the equity interest of the Target Company to Tianyi (Fujian) Modern Agriculture Development Co. Ltd.* on 20 February 2017, the Target Company has become an indirect wholly owned subsidiary of the Company.

Operating Lease Commitments

As at 31 December 2016, the Group had operating lease commitments of approximately RMB49,117,000 (31 December 2015: approximately RMB44,699,000). 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 expansion in direct sales outlets and the establishment of the Beijing office by the Group.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil).

Capital Commitments

As at 31 December 2016, the Group had capital commitments of approximately RMB74,681,000 (31 December 2015: approximately RMB55,909,000), which mainly comprised commitments for the acquisition cost of Putian Xianglixiang Black Pig Development Co., Ltd.*, and the construction in process at Hebei and Fujian.

Human Resources

As at 31 December 2016, the Group had 488 (31 December 2015: 512) 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 RMB36,511,000 (31 December 2015: approximately RMB45,109,000) during the Reporting Period. All of the Group's companies treat all their employees equally, with the selection and promotion of individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for our employees in Hong Kong, and provides our PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

PROSPECTS

1. Stabilise 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

The Xuanhua Black Hog Farm located in Hebei has commenced preliminary production in December 2016. In addition, the hog farm located in the Group's headquarters — Putian, Fujian — has also been operating smoothly. This hog farm specialises in the breeding of "Putian" black hogs in accordance with the established production and operation plans of the Group.

The Group hopes to continue its efforts in developing the brand of high-end "Putian Black Pearl" black hogs with a view to laying a solid foundation for securing a high-quality brand image in the mid-to-high-end consumer market in the future. Therefore, in the coming year, the Group will formulate impressive advertising and promotion plans, draw up comprehensive sales arrangement and execution outline, recruit staff in line with its development, execute brand monitoring in a strict manner and establish efficient incentive policy.

2. Increase the number of points of sale extensively with Beijing as the center of high-end pork market while focusing on expanding to the surrounding areas

The Group has achieved satisfactory performance under the current market environment. It is expected that the future five years will be the rapid growth period of the "Putian" brand and therefore the Group has formulated aggressive strategies covering different sectors. The Group plans to open 10 to 20 new black hogs direct sales outlets in Putian area and open approximately 10 outlets in Phoenix Department Store next year; the Group also plans to open 8 to 10 outlets specialising in high-end products as well as establishing 1 to 2 direct sales branded outlets in Beijing area. In view of the increasing demand for high-end pork products in the Beijing market, the Group will position Beijing as the center and focus on expanding to the surrounding areas. In addition, the Group intends to prioritise the development of whole hog carcasses business in Putian area; with respect to the newly developed business of exporting products to Hong Kong, the Group will continue to promote the product mix accredited with the certificate for exporting to Hong Kong and strive to increase market share.

3. Push forward online business layout in a comprehensive manner and strive to establish a sales platform covering the whole industry chain

The Group is currently formulating the overall layout for online sales, promoting full operation of community O2O, establishing an internet sales model covering the whole industry chain and building an operation platform integrating the development and protection of breeder hogs in China; in order to optimise various channels, the Group is also undertaking a spate of brand promotion initiatives such as new media promotion and network promotion. During the Reporting Period, the Group has established two e-commerce entities, namely Fujian Tianyi and Beijing Putian, with the relevant works progressing in an orderly manner. The Group has approached 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 and raw food. The Group's e-commerce business plans to be gradually implemented in the near future include (1) establishing its own e-commerce platform and e-commerce team; (2) entrusting the e-commerce business to independent third parties; (3) cooperating with independent third parties, including Cloud Tree E-Commerce (雲樹電商) and Blue Hummingbird (藍色蜂鳥), to develop e-commerce platforms while entering and participating in different platforms to achieve win-win outcomes. Meanwhile, the Group will also continue to deepen corporate brand promotion through e-commerce platforms and drive up online sales; it will also encourage consumers to participate in corporate culture building activities such as virtual breeding; the Group will showcase its outstanding "commercial operating model and process" to let customers have a comprehensive understanding of the product manufacturing process and promote high-quality pork consumption culture, thereby enhancing the brand recognition and loyalty of mid-to-high end consumers and securing demand to promote sales.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Cai Chenyang (蔡晨陽), aged 47, 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 15 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.

There is no specific term for Mr. Cai Chenyang regarding his directorship.

Cai Haifang (蔡海芳), aged 38, 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.

There is no specific term for Mr. Cai Haifang regarding his directorship.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Zirong (蔡子榮), aged 65, has been an independent non-executive Director since 7 February 2012. He is also the chairman of the remuneration committee of the Company and a member of the nomination committee and audit committee of the Company. 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 41, has been an independent non-executive Director since 7 February 2012. He is also the chairman of the audit committee of the Company and a member of the nomination committee and remuneration committee of the Company. 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 20 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.

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 60, has been an independent non-executive Director since 28 May 2014. He is also the chairman of the nomination committee of the Company and a member of the remuneration committee and audit committee of the Company. 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 49, 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 40, 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.

COMPANY SECRETARY

Ku Kin Shing, Ignatius (谷建聖), aged 55, 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 24 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 2016 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.

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.

Unless the context otherwise requires, terms used herein shall have the same meaning as those defined in the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2016, 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 operation 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 2017 respectively confirming that for the period from 1 January 2016 to 31 December 2016 and up to the date of signing the Confirmation by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 22 June 2012 (the "Deed of Non-Competition") and, in particular, they and their respective Associates have not, directly or indirectly, carry on or be engaged or interested in (i) production and sale of pork products; (ii) sale of hogs; (iii) sale of side products produced during the production process of pork products; (iv) slaughtering and processing of hogs; and (v) any other business which, directly or indirectly, compete or may compete with the business previously carried on by or other business that may be carried on by the Group.

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

DIRECTORS

The Board

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

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

Board Composition

There are currently 5 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

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

During the year 2016, Ms. Cai Shengyin resigned as an executive director with effect from 16 August 2016.

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 membership of each Director in each Board committee.

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

Details of the biographies of the Directors are given under the section "Biographical Details of Directors and Senior Management" of this annual report on pages 17.

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

The independent non-executive Directors play an important role on the Board. Accounting for more than one third 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 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

Number of meetings attended

During the year of 2016, the Board held 4 regular meetings at about quarterly intervals and 3 additional meeting(s) which were held regarding special matters which required the Board's decisions.

As regards general meetings, the Company held the annual general meeting on 8 June 2016. A table summary in regard to the Directors' participation at the various Board meetings and the Company's general meeting(s) 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 2016

	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	1/1
Cai Haifang	4/4	3/3	1/1
Cai Shengyin (resigned with effect from 16 August 2016)	2/2	1/1	1/1
Independent non-executive Directors			
Cai Zirong	4/4	3/3	1/1
Wang Aiguo	4/4	3/3	1/1
Wu Shiming	4/4	3/3	1/1

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings (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, and be adequately prepared for the meeting, to 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 in appropriate circumstances 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 and 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. According to the current Board practice, any transaction, which involves a conflict of interests between a substantial shareholder of the Company or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors who have no material interest in the said transaction. Directors are abstained from voting and not counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

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.

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 operation of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operation 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 are properly briefed 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 governance 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 with different views to voice their concerns, allow sufficient time for discussion of issues and ensures that Board decisions fairly reflect the Board's consensus;
- 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 appropriate steps are taken to provide effective communication with the shareholders and that views of shareholders are communicated to the Board as a whole;

- 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 8 June 2016, Mr. Wu Shiming and Mr. Wang Aiguo retired from office by rotation pursuant to Articles 84 and offered themselves for re-election. At that AGM, Mr. Wang Aiguo and Mr. Wu Shiming were re-elected to hold office until the conclusion of the annual general meeting of the Company of 2019.

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	a term of 3 years until the conclusion of the annual general meeting of the Company of 2019
Wu Shiming	a term of 3 years until the conclusion of the annual general meeting of the Company in 2019

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 (if any) 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, Hong Kong Companies Ordinance and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The package also includes information relating to the operations and business of the Group. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time. Readings regarding corporate governance for Directors have been forwarded to each Director for his/her information and ready reference.

The Board views that the independent non-executive Directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgment at the Board meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit 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 meeting(s) of the Company and Board Committees meetings indicates the constant participation of all Directors, including executive and independent non-executive Directors and ensures the better understanding of the views of shareholders by all Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

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

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2016 to 31 December 2016:

Directors	Read materials	Attend seminars/ briefings
Executive Directors		
Cai Chenyang	√	√
Cai Haifang	√	√
Cai Shengyin (resigned with effect from 16 August 2016)	√	√
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 2016, 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 2016 are set out on pages 45 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 possess inside information in relation to the Company or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

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

The functions reserved to the Board and those delegated to the 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 (among others):

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and publication of 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 policy and duties.

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

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

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

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

- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the nomination and appointment of personnels other than the members 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 2016, 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 2016 is as follows:

Independent non-executive Directors	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Cai Zirong	2/2	1/1	1/1
Wang Aiguo	2/2	1/1	1/1
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(s) during 2016.

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

The main duties of the Nomination Committee include the following:

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

- with due regard for the benefits of diversity on the Board, to identify qualified individuals to become members of the Board and to select or to make recommendations to the Board on the selection of individuals nominated for directorships;

- 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 Nomination Committee during 2016 included (among others):

- 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 procedures and criteria for nomination of directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new director, 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 of 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.

During the year of 2016, the Remuneration Committee accomplished the following (among others):

- 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 consolidated financial statements.

Audit Committee

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

The Audit Committee usually meets 2 times a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal controls and 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 2016 included consideration of the following matters (among others):

- the completeness and accuracy of the 2015 annual and 2016 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 risk management and the internal control systems of the Group;
- review of the adequacy of resources of the internal audit department and the 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 2016; 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 2017.

ACCOUNTABILITY AND AUDIT

As at 31 December 2016, the Company had net assets of approximately RMB600.7 million, the Company recorded a profit attributable to equity holders of the parent of approximately RMB18.2 million for the year ended 31 December 2016.

Financial Reporting

The Board aims to present balanced, clear and understandable assessments 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 52 to 56.

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 57 to 135 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 bases 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 7 to 16 in this annual report.

The Management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and other information 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 the Listing Rules.

Risk Management and Internal Controls

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. The Directors acknowledge their responsibility for the risk management and internal controls systems of the Company and reviewing their effectiveness. The Board oversees the risk management and internal control systems on an ongoing basis and conducts a review of the effectiveness of the Group's risk management and internal control systems at least annually. During the year under review, in the audit committee meeting and Board meeting held in March 2016, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control systems which covers review on all material controls including financial, operational and compliance controls, the effectiveness of internal audit functions and other duties under the Code for the financial year ended 31 December 2015, so as to ensure 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 functions, and the Board considers such systems are effective and adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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, identifying the operation risk of the Group and reporting to the Audit Committee any significant risks identified.

The Company has an internal audit function. The Company's internal audit department identifies the risks of the Group, and independently reviews the effectiveness of the internal control and risk management systems, 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 risks identified and the effectiveness of the systems of internal control and risk management of the Group.

External auditors will also report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of audit. For the year of 2016, no critical internal control issues have been identified.

Each year, the Audit Committee reviews the findings made by the external auditors in respect of issues encountered by it in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group and the internal control and risk management systems 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 including but not limited to material internal control defects. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Connected Transactions

The Company is committed to ensure 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 identify and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with Listing Rules.

Auditor's Remuneration

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

Audit services	RMB1 million
Non-audit services (which include taxation compliance and agreed upon procedures)	HK$37,200

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 2016. 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 2016

Date	Events
10 May 2016	Meeting with fund managers
7 September 2016	Meeting with fund managers
28 October 2016	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 8 June 2016, 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, were available to answer questions at the shareholders' meetings.

The representative(s) of the external auditor of the Company, Messrs. HLB Hodgson Impey Cheng Limited also attended the AGM held on 8 June 2016 to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Voting by Poll

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

Shareholders' Rights to Convene an Extraordinary General Meeting

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

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

Based on the requirement of the Code, the Shareholders Communication Policy was formulated and adopted on 22 June 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders. The effectiveness of shareholders communication under the Shareholders Communication Policy had been reviewed by the Board at the 30 March 2016 Board meeting during the year 2016.

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

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. In addition to the general meetings, press conferences and analysts briefings are held subsequent to the interim and final results announcements in which the Directors and management are available to answer questions about the Group. Investors can also submit enquiries and proposal of the Board and the management to be put forward at shareholders' meetings by call to Mr. Cai Haifang 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

There was no change to the Company's memorandum and articles of association during the year under review.

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 2016.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDEND

The Group's profit for the year ended 31 December 2016 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 57 to 135.

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: 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 136 of this report.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch share register of members will be closed from Thursday, 22 June 2017 to Wednesday, 28 June 2017, 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, 28 June 2017, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Wednesday, 21 June 2017 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, the subscription agreements, instruments and other documents in relation to the Convertible Bonds due 2017 and the Convertible Bond due 2018 issued by the Company (details of which are disclosed in Note 28 to the consolidated financial statements and the section headed "Management Discussion and Analysis"), and the agreement, instrument and other documents in relation to the Warrants (details of which are disclosed in Note 30 to the consolidated financial statements and the section headed "Management Discussion and Analysis"), no equity-linked agreement was entered into by the Company during 2016 or subsisted at the end of 2016.

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.

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 is 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 31 December 2016, the number of shares available for issue under the Share Option Scheme were 120,840,000, representing 7.6% of the number of issued shares of the Company. 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 ordinary 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 ordinary shares with par value of HK$0.1 each (i.e. 159,680,000 ordinary 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 follows:

Grantee	Exercisable period	Exercisable price per shares (adjusted by Share Subdivision on 2 July 2015) (HK$)	Balance as at 31 December 2015 and 1 January 2016 ('000)	Lapsed during the period ('000)	Exercised during the period ('000)	Cancelled during the period ('000)	Balance as at 31 December 2016 ('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	(720)	—	—	10,300
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	17,840	(1,820)	—	—	16,020
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	20,400	(2,740)	—	—	17,660
			130,740	**(9,900)**	**—**	**—**	**120,840**

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 2016.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the percentage of revenue from sales of goods attributable to the largest customer is 12.3%; and the percentage of revenue from sales of goods attributable to the 5 largest customers combined is 43.2%. For the year ended 31 December 2016, the largest and five largest suppliers of the Group accounted for approximately 19.8% and approximately 53.1% 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 2016.

DIRECTORS AND RE-ELECTION OF DIRECTORS

The Directors of the Company during the year of 2016 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 (resigned with effect from 16 August 2016)

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. Cai Haifang and Mr. Cai Zirong shall retire from office by rotation at the conclusion of the forthcoming annual general meeting of the Company and they, being eligible, will offer themselves for re-election thereat.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 17 to 20 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of service contracts or appointment letters (as the case may be) of the executive directors of the Company namely, Mr. Cai Chenyang and Mr. Cai Haifang 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 2016, 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 13 October 2016, Zhan Rui Investments Limited ("Zhan Rui") and Mr. Cai Chenyang ("Mr. Cai"), the controlling shareholders of the Company, entered into a deed of share charge (the "New Share Charge Deed") in favour of Vandi Investments Limited (the "Investor"), pursuant to which (i) 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 816,000,000 ordinary shares; (ii) Mr. Cai shall, after exercising any of his options to subscribe for shares in the Company and thereby becoming the legal and beneficial owner of the option shares ("Mr Cai Option Shares") and within the prescribed time as set out in the New Share Charge Deed, transfer all such Mr Cai Option Shares to Zhan Rui and deposit all such Mr Cai Option Shares into a designated account maintained with CCB International Securities Limited by Zhan Rui and (iii) Mr. Cai and Zhan Rui have agreed that each such Mr Cai Option Share shall form part of the properties subject to security constituted by the New Share Charge Deed, as continuing security for the payment and discharge of all obligations at any time due, owning or incurred by the Company, Zhan Rui, Mr. Cai or any of their respective affiliates to the Investor under or pursuant to, among others, the relevant subscription agreement, the bond instrument constituting the Convertible Bond due 2018, the note instrument constituting the Note and the New Share Charge Deed.

COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

Pursuant to the bond instruments constituting the Convertible Bond due 2018 and the Note issued by the Company to the Investor, the holders of the Convertible Bond due 2018 and the Note shall have the right to require the Company to redeem the Convertible Bond due 2018 and the Note 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 shareholder (taking into account his indirect shareholding in the Company) 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, the resignation or cessation of Mr. Cai Chenyang as the chairman of the Board, and Mr. Cai Chenyang defaults in the performance or observance of any terms of the security documents (including the breach of representations and undertakings of Mr. Cai Chenyang under the New Share Charge Deed as set out in the announcement of the Company dated 28 September 2016) and such default (i) is incapable of remedy or (ii) being a default which is, in the opinion of the bondholders, capable of remedy, remains unremedied for 14 days after the bondholders have given written notice thereof to the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2016, 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 unlisted 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 unlisted physically settled equity derivative.

(3) Ms. Cai Shengyin (who resigned with effect from 16 August 2016) had held derivative interest in 4,620,000 underlying shares in the Company as beneficial owner pursuant to unlisted physically settled equity derivative. As at 31 December 2016, the equity derivative held by Ms. Cai Shengyin had lapsed and she did not hold any interests in the shares and underlying shares of the Company. However, the ceasing of such holding did not give rise to any disclosure obligation under the SFO.

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	888,440,000	55.53%

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 which has been charged to Vandi Investments Limited and Mr. Cai Chenyang also had a short position of 72,440,000 underlying shares of the Company, which is a short position over unlisted physically settled equity derivatives.

Save as disclosed above, as at 31 December 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) 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 2016, 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	888,440,000	55.53%
Song Tieming	Beneficial owner	90,256,000	5.64%
Sze Ching Lau	Beneficial owner	80,012,000	5.00%
China Construction Bank Corporation (Note 2)	Interest of controlled corporation/ security interest in shares	1,088,727,273	68.05%
Central Huijin Investment Ltd. (Note 3)	Interest of controlled corporation/ security interest in shares	1,088,727,273	68.05%

Notes:

(1) Zhan Rui held 816,000,000 shares in the Company. Zhan Rui was also interested in 72,440,000 underlying shares of the Company pursuant to its interests in unlisted physically settled equity derivatives.

(2) Such long position includes (a) security interests in 816,000,000 shares of the Company and (b) derivative interests in 272,727,273 underlying shares of the Company held by Vandi Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation pursuant to unlisted 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 272,727,273 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 57.31% control pursuant to unlisted 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	888,440,000	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. Zhan Rui also had a short position of 72,440,000 underlying shares of the Company, which is a short position over unlisted physically settled equity derivatives.

Save as disclosed above, as at 31 December 2016, 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.

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 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as those disclosed in the paragraph "Share Option Scheme" in this section and in Note 29 to the consolidated financial statements, at no time during the year ended 31 December 2016 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 and up to the date of this report.

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, 12 and 38(a) 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 2016 engaged in or has or had during 2016 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 2016.

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 2016.

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 2016 with financial performance indicators including gross profit margin, gearing ratio and earning per share are set out in the sections headed "Management Discussion & Analysis" and "Consolidated Statement of Profit or Loss and Other Comprehensive Income" 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 below and in note 19, note 28 and note 36 to the consolidated financial statements.

Volatility of Commodity Prices

The results of the Group may be affected by price volatility of the main ingredients used in the production of animal feed, including corn, soya meal, wheat bran and feed premix. These raw materials are basic agricultural commodities and their prices are affected by global commodities prices as well as domestic demand and supply.

Further, prices of farm products also depend on the demand and supply as well as the economic condition and consumer purchasing power and confidence. When supply exceeds demand, there will be a negative impact on the selling price of the farm products of the Group and in turn on the performance of the Group.

Product Quality and Safety

Product quality and safety are the most important issues in agri-food business. The Group is committed to producing high quality and safe products from its manufacturing process. Failure to maintain quality control during the manufacturing process may lead to poor quality products and result in complaints, claims for compensation or product recalls, penalties and damage to the Group's reputation.

Animal Disease Outbreaks

Any epidemic outbreaks in livestock would affect the selling prices of our product and the results of the Group.

Interest Rate Fluctuation

The Group had total borrowings of approximately RMB335,415,000 as at 31 December 2016 and approximately 46.0% of the total borrowings were at floating rate which subjects the Group to interest rate risk.

Compliance Risks

The Group's businesses are principally operated in Mainland China are subjected to different industry standards and government regulations in different jurisdiction. These standards and regulations included food hygiene and safety related laws and regulations, environmental protection regulations, employment regulations and relevant tax laws, etc.

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 following:

— 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)

During the year ended 31 December 2016, the Group has complied with the aforesaid laws and regulations, which have a significant impact on the Group.

Save as disclosed, the Company has complied with the Listing Rules during the year ended 31 December 2016.

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 materials for hog feeds 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 for the customers and contributes to success of the Group's products so as to attract and retain customers of the Group. 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 and the quality of the products.

DONATION

The Group is also aware of its responsibility to contribute to the society. In 2016, the Group donated a total of RMB10,000 for poverty alleviation to 莆田市城廂區華亭鎮村民委員會, and also contributed RMB5,000 to the renovation funds of the 石梯寺.

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. 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 annual general meeting of the Company.

On behalf of the Board

Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 30 March 2017

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

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

OPINION

We have audited the consolidated financial statements of China Putain Food Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 135, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of biological assets Refer to Note 3 and 19 to the consolidated financial statements.	
The Group's biological assets were carried at approximately RMB91,243,000 as at 31 December 2016 with a gain arising from change in fair value for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately RMB2,024,000. The management of the Company engaged an independent external valuer to assess the fair value of the biological assets as at 31 December 2016. The biological assets were significant to the Group. Management's assessment of the fair value of biological assets involve significant judgements and estimates. The most significant assumptions and valuation parameters used in the valuation include the estimated quantities, weight, age and the related market prices of biological assets applied.	Our procedures in relation to the management's assessment of the fair value of biological assets included: • evaluating of the independent external valuer's competence, capabilities and objectivity; • assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • discussing with the independent external valuer and challenging the reasonableness of key assumptions and valuation parameters used in the valuation based on our knowledge of the business and industry; and • checking, on sampling basis, the accuracy and relevance of the input data used. We found the fair value of the biological assets to be supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	6	**599,683**	659,862
Cost of sales		**(470,674)**	(530,684)
Gross profit		**129,009**	129,178
Other income and losses	7	**(2,317)**	3,833
Gain/(loss) arising from change in fair value less costs to sell of biological assets	19	**2,024**	(2,725)
Selling and distribution expenses		**(26,236)**	(25,153)
Administrative expenses		**(37,748)**	(47,734)
Finance costs	8	**(46,592)**	(41,864)
Equity-settled share-based payment expense	29	**(9,048)**	(16,683)
Gain arising from fair value change of derivative financial liabilities	28	**9,077**	—
Fair value loss in issuance of unlisted warrants	30	**—**	(6,965)
Profit/(loss) before taxation		**18,169**	(8,113)
Taxation	9	**—**	—
Profit/(loss) for the year	10	**18,169**	(8,113)
Other comprehensive loss for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(15,804)**	(8,191)
Other comprehensive loss for the year, net of income tax		**(15,804)**	(8,191)
Total comprehensive income/(loss) for the year		**2,365**	(16,304)
Profit/(loss) for the year attributable to the owners of the Company		**18,169**	(8,113)
Total comprehensive income/(loss) for the year attributable to the owners of the Company		**2,365**	(16,304)
Earning/(loss) per share			
Basic and diluted (RMB cents per share)	14	**1.14**	(0.68)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	**562,851**	523,522
Prepaid lease payments	16	**85,385**	103,699
Biological assets	19	**7,725**	3,509
Deposits paid for property, plant and equipment	20	**12,719**	24,998
		668,680	655,728
Current assets			
Inventories	18	**61,259**	40,942
Biological assets	19	**83,518**	73,663
Trade receivables	21	**102,269**	96,037
Deposits paid, prepayments and other receivables	22	**88,094**	52,510
Prepaid lease payments	16	**4,378**	4,822
Pledged bank deposits	23	**8,505**	5,970
Cash and bank balances	23	**13,088**	3,875
		361,111	277,819
Current liabilities			
Trade and bills payables	24	**34,009**	25,711
Accruals, deposits received and other payables	25	**17,906**	13,594
Borrowings	26	**245,071**	140,000
Derivative financial liability	28	**38,547**	—
Bank overdrafts	23	**4,413**	2,793
Deferred revenue	27	**253**	253
		340,199	182,351
Net current assets		**20,912**	95,468
Total assets less current liabilities		**689,592**	751,196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Convertible bonds	28	**85,931**	155,500
Deferred revenue	27	**2,934**	3,187
		88,865	158,687
Net assets		**600,727**	592,509
Equity			
Share capital	31	**65,178**	65,178
Share premium and reserves		**535,549**	527,331
Total equity		**600,727**	592,509

Approved by the Board of Directors on 30 March 2017 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 2016

	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 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)	—
Share-based payment expenses	—	—	—	—	—	16,683	—	—	—	16,683
Issue of warrants	—	—	—	—	—	—	12,758	—	—	12,758
As at 31 December 2015 and 1 January 2016	65,178	18,586	(2,846)	61,094	32,212	16,683	12,758	53,015	335,829	592,509
Profit for the year	—	—	—	—	—	—	—	—	18,169	18,169
Other comprehensive loss for the year	—	—	(15,804)	—	—	—	—	—	—	(15,804)
Total comprehensive income/(loss) for the year	—	—	(15,804)	—	—	—	—	—	18,169	2,365
Transfer to statutory reserve	—	—	—	6,663	—	—	—	—	(6,663)	—
Share-based payment expenses	—	—	—	—	—	9,048	—	—	—	9,048
Release upon redemption of convertible bonds	—	—	—	—	(32,212)	—	—	—	29,017	(3,195)
As at 31 December 2016	**65,178**	**18,586**	**(18,650)**	**67,757**	**—**	**25,731**	**12,758**	**53,015**	**376,352**	**600,727**

* These reserve accounts comprise of the consolidated reserves of approximately RMB535,549,000 (2015: approximately RMB527,331,000) in the consolidated statements of financial position as at 31 December 2016.

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. The reserve had been released after early redemption on 13 October 2016.

(d) Share options reserve

The share options reserve represents the share options of the HK$41.6 million (equivalent to approximately RMB33.3 million), and release upon lapse of the options of the HK$9.5 million (equivalent to approximately RMB7.6 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 2016

	2016 RMB'000	2015 RMB'000
Operating activities		
Profit/(loss) before taxation	**18,169**	(8,113)
Adjustments for:		
Interest income	**(381)**	(638)
Finance costs	**46,592**	41,864
Amortisation of prepaid lease payments	**4,378**	4,592
Equity-settled share-based payment expense	**9,048**	16,683
Loss on early redemption of convertible bonds	**135**	—
Gain on derecognition of prepaid lease payment	**(222)**	—
Gain arising from fair value change of derivative financial liabilities	**(9,077)**	—
Fair value loss in issuance of unlisted warrants	**—**	6,965
Loss/(gain) on disposal of property, plant and equipment	**4,777**	(13)
Depreciation of property, plant and equipment	**20,293**	12,220
(Gain)/loss arising from change in fair value less costs to sell of biological assets	**(2,024)**	2,725
Operating cash flows before movements in working capital	**91,688**	76,285
Increase in inventories	**(20,317)**	(2,485)
Increase in biological assets	**(12,047)**	(20,135)
Increase in trade receivables	**(6,232)**	(9,644)
Increase in deposits paid, prepayments and other receivables	**(26,224)**	(6,512)
Increase in trade and bills payables	**8,298**	9,533
Increase in accruals, deposits received and other payables	**891**	5,438
Net cash generated from operating activities	**36,057**	52,480
Investing activities		
Interest received	**128**	385
Deposits paid for property, plant and equipment	**(2,719)**	—
Proceeds from disposal of property, plant and equipment	**11**	28
Derecognition of prepaid lease payment	**14,602**	—
Payments of property, plant and equipment	**(49,410)**	(110,003)
Net cash used in investing activities	**(37,388)**	(109,590)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Financing activities		
Interest paid	**(21,614)**	(25,346)
Proceeds from bank borrowings	**150,000**	140,000
Repayments of bank borrowings	**(140,000)**	(140,000)
Increase in pledged bank deposits	**(2,535)**	(2,970)
Proceeds from issue of warrants	**—**	6,416
Payments for issue of warrants	**—**	(623)
Net cash flow for issue/redemption of convertible bonds and non-convertible note	**33,328**	—
Net cash generated from/(used in) financing activities	**19,179**	(22,523)
Net increase/(decrease) in cash and cash equivalents	**17,848**	(79,633)
Cash and cash equivalents at beginning of the year	**1,082**	79,882
Effect of foreign exchange rate changes	**(10,255)**	833
Cash and cash equivalents at end of the year	**8,675**	1,082
Cash and cash equivalents at end of the year		
Cash and bank balances	**13,088**	3,875
Bank overdrafts	**(4,413)**	(2,793)
Cash and cash equivalents at end of the year	**8,675**	1,082

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

1. GENERAL INFORMATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("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 of Hong Kong Limited 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 ("HKASs") 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 2016. A summary of the new and revised HKFRSs are set out below:

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle

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

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments to HKFRS 10 *Consolidated Financial Statements,* HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 has had no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to HKFRS 11 *Accounting for Acquisition 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 regarding impairment testing of a cash-generating unit ("CGU") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation on its formation 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 application of these amendments to HKFRS 11 has had no material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The application of these amendments to HKAS 1 has had no material impact on the Group's consolidated financial statements.

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

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

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to HKAS 16 and HKAS 38 has had no material impact on the Group's consolidated financial statements.

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

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

- at cost;
- in accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 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*.

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

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

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.

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 shall be applied prospectively.

The amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities 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 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 postemployment 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 opening retained earnings of the earliest comparative period presented.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere in the interim financial report. 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 application of the said amendments to HKFRSs has had no material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2012–2014 Cycle (Continued)

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

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

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

HKFRS 9 *Financial Instruments* (Continued)

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 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. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

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

Amendments to 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.

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.

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.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

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

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

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

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

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows.

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

HKFRS 16 *Leases* (Continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB49,117,000 as disclosed in Note 39. A preliminary assessment indicates that these arrangements may meet the definition of a lease under HKFRS 16 such that the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 acquire 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

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

Leasing

The Group as lessee

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

Current and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 of non-financial assets

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses of non-financial assets (Continued)

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.

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 available-for-sale ("AFS") financial assets and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

The carrying amount of the financial assets 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial assets in its entirety, the difference between the assets' 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 assets 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 assets 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.

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.

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liabilities are designated at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes at fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at fair value through profit or loss ("FVTPL"), of which the interest expense is excluded in net gains or losses.

Derivative financial instruments

Derivative financial instruments (including derivative financial liability) is financial liabilities designated at FVTPL. Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on the remeasurement of fair value is recognised immediately in profit or loss.

Other financial liabilities

Financial liabilities (including trade payables, accruals and other payables, borrowings, 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.

Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds (Continued)

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with derivative financial instruments. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

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 option 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.

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.

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 join control over the Group;

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group (which means that each 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 external 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.

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

(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.

(f) Derivative financial liability

The directors of the Company use their judgment in selecting an appropriate valuation technique to determine the fair value of embedded conversion option of the convertible notes. Valuation techniques commonly used by market practitioners are applied. The fair values of convertible notes are determined by the Monte Carlo Simulation Model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the model requires the input of highly subjective assumptions, including the volatility, credit spread, etc., changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in notes 28 and 37.

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 2016, revenue from the sales of pork decreased to approximately RMB599,683,000 (2015: approximately RMB659,862,000).

Furthermore, revenue of approximately RMB74,002,000 (2015: approximately RMB58,255,000) arose from sales to the Group's largest customer.

Information about the largest customer

Revenues from customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2016 and 2015 are as follows:

	2016 **RMB'000**	2015 RMB'000
Customer A	**74,002**	#

\# The customer contributed less than 10% of the total revenue of the Group.

5. SEGMENT INFORMATION (Continued)

Geographical Information

During the years ended 31 December 2016 and 2015, the Group mainly operated in the PRC and all of the Group's revenue was derived from the PRC, and most of non-current assets of the Group were located in the PRC as at 31 December 2016 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.

	2016	2015
	RMB'000	RMB'000
Revenue from		
— Retail of pork	**332,524**	325,058
— Wholesale of pork	**239,999**	297,880
— Retail of frozen pork	**15,450**	30,202
— Wholesale of commodity hogs	**11,710**	6,722
	599,683	659,862

7. OTHER INCOME AND LOSSES

	2016	2015
	RMB'000	RMB'000
Interest income on:		
— bank deposits	**128**	385
— amortisation of deferred revenue	**253**	253
Total interest income	**381**	638
(Loss)/Gain on disposal of property, plant and equipment	**(4,777)**	13
Gain on disposal of hog droppings	**92**	78
Gain on derecognition of prepaid lease payment	**222**	—
Loss on early redemption of convertible bonds	**(135)**	—
Gain on disposal of biological assets	**830**	878
Government grants (Note)	**1,069**	1,862
Sundry income	**1**	364
	(2,317)	3,833

7. OTHER INCOME AND LOSSES (Continued)

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 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.

8. FINANCE COSTS

	2016 **RMB'000**	2015 RMB'000
Interests on:		
— Borrowings wholly repayable within five years	**9,150**	7,752
— Bank overdrafts wholly repayable within five years	**144**	15
— Imputed interest charged on convertible bonds (Note 28)	**37,298**	34,097
	46,592	41,864

9. TAXATION

	2016 **RMB'000**	2015 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.

9. TAXATION (Continued)

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:

	2016 RMB'000	2015 RMB'000
Profit/(loss) before taxation	**18,169**	(8,113)
Tax at the applicable income tax rate	**8,331**	3,356
Tax exemption for subsidiary operating in the PRC	**(15,893)**	(13,807)
Tax effect of expenses not deductible for tax purpose	**6,458**	5,629
Tax effect of income not taxable for tax purpose	**—**	(1)
Tax effect of tax loss not recognised	**1,104**	4,823
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 2016 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:

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2016. No provision for Hong Kong profits tax for the year ended 31 December 2015 had been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the year ended 31 December 2015.

PRC

The PRC Enterprise Income Tax (the "PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得税優惠政策的農產品初加工範圍(試行)(2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家税務總局) on 20 November 2008. Tianyi (Fujian) Modern Agriculture Development Co., Ltd and Putian (Beijing) Food Limited meet the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Tianyi (Fujian) Modern Agriculture Development Co., Ltd and Putian (Beijing) Food Limited operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2016 and 2015.

10. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging:

	2016 RMB'000	2015 RMB'000
Staff costs including directors' emoluments		
Salaries and other emoluments	**26,015**	26,908
Equity settled share-based payment expense	**9,048**	16,683
Retirement scheme contributions	**1,448**	1,518
Total staff costs	**36,511**	45,109
Depreciation of property, plant and equipment (Note 15)	**20,293**	12,220
Amortisation of prepaid lease payments (Note 16)	**4,378**	4,592
Total depreciation and amortisation	**24,671**	16,812
Auditors' remuneration		
— Audit services	**1,000**	1,000
— Non-audit services	**32**	—
Operating lease rental expenses	**4,706**	5,081

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, is as follows:

	2016 RMB'000	2015 RMB'000
Directors' fees	**1,000**	1,027
Other emoluments:		
Salaries, allowances and benefits in kind	**304**	361
Equity-settled share-based payment expense	**6,497**	11,048
Retirement schemes contributions	**32**	62
	6,833	11,471
	7,833	12,498

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	Equity-settled shared-based payment expense RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2016					
Executive directors:					
Mr. Cai Chenyang (Note (a))	**429**	**216**	**6,114**	**24**	**6,783**
Mr. Cai Haifang	**258**	**88**	**383**	**8**	**737**
Ms. Cai Shengyin (Note (b))	**160**	**—**	**—**	**—**	**160**
Independent non-executive directors:					
Mr. Cai Zirong	**51**	**—**	**—**	**—**	**51**
Mr. Wu Shiming	**51**	**—**	**—**	**—**	**51**
Mr. Wang Aiguo	**51**	**—**	**—**	**—**	**51**
	1,000	**304**	**6,497**	**32**	**7,833**
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 (Note (b))	241	72	641	15	969
Independent non-executive directors:					
Mr. Cai Zirong	48	—	—	—	48
Mr. Wu Shiming	48	—	—	—	48
Mr. Wang Aiguo	48	—	—	—	48
	1,027	361	11,048	62	12,498

Notes:

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

(b) Ms. Cai Shengyin was resigned as the Company's executive director on 16 August 2016.

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

11. DIRECTORS' EMOLUMENTS (Continued)

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 2016 and 2015 respectively. None of the directors agreed to waive or waived any emoluments during the year (2015: Nil).

12. EMPLOYEES EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year included two directors (2015: three) whose emolument were disclosed in Note 11. The detail of the emoluments of the remaining three (2015: two) highest paid individuals are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries and other emoluments	**1,259**	965
Equity-settled share-based payment expense	**1,115**	996
Retirement scheme contribution	**82**	60
	2,456	2,021

The emoluments of the three (2015: two) individuals with the highest emoluments are within the following band are as follows:

	2016	2015
Nil to RMB857,000 (equivalents Nil to HK$1,000,000)	**2**	—
RMB857,000 to RMB1,286,000 (equivalents HK$1,000,000 to HK$1,500,000)	**1**	2

During the year ended 31 December 2016, 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 (2015: 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.

	2016	2015
Nil to RMB857,000 (equivalents Nil to HK$1,000,000)	**2**	—
RMB857,000 to RMB1,286,000 (equivalents HK$1,000,000 to HK$1,500,000)	**—**	2

13. DIVIDENDS

The directors of the company do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

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

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

Earning/(loss)

	2016	2015
	RMB'000	RMB'000
Earning/(loss) attributable to owners of the Company for the purpose of calculating basic earning/(loss) per share	**18,169**	(8,113)

Number of shares

	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earning/(loss) per share	**1,600,000**	1,201,096

The calculation of basic earning/(loss) per share for the year is based on the earning attributable to the owners of the Company for the year ended 31 December 2016 of approximately RMB18,169,000 (2015: loss attributable to the owner of the Company of approximately RMB8,113,000) and the weighted average number of 1,600,000,000 (2015: 1,201,096,000, adjusted retrospectively for the share subdivision (one into two) with effect from 2 July 2015 (Note 31)) ordinary shares in issue during the Reporting Period.

Basic and diluted earning/(loss) per share for the years ended 31 December 2016 and 2015 were the same because conversion of convertible bonds (which were issued on 26 June 2014 and issued on 13 October 2016) would increase the earning per share for the year ended 31 December 2016 and decrease the loss per share for the year ended 31 December 2015 and, therefore, be anti-dilutive. Also, the computation of diluted earning/(loss) 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 2016 and 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	Total RMB'000
Cost						
As at 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 and 1 January 2016	147,078	26,072	11,617	5,325	397,545	587,637
Additions	13,005	1,616	—	114	49,672	64,407
Disposals	(6,180)	—	(49)	—	—	(6,229)
Transfer	164,593	10,614	—	—	(175,207)	—
Exchange alignment	—	—	43	—	—	43
As at 31 December 2016	**318,496**	**38,302**	**11,611**	**5,439**	**272,010**	**645,858**
Accumulated depreciation						
As at 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 and 1 January 2016	44,940	7,691	6,954	4,530	—	64,115
Provided for the year	14,452	3,494	1,698	649	—	20,293
Written off on disposal	(1,394)	—	(47)	—	—	(1,441)
Exchange alignment	—	—	40	—	—	40
As at 31 December 2016	**57,998**	**11,185**	**8,645**	**5,179**	**—**	**83,007**
Net book values						
As at 31 December 2016	**260,498**	**27,117**	**2,966**	**260**	**272,010**	**562,851**
As at 31 December 2015	102,138	18,381	4,663	795	397,545	523,522

Notes:

(a) For the additions of property, plant and equipment as at 31 December 2016, the amount included approximately RMB49,410,000 by cash (2015: approximately RMB110,003,000) and approximately RMB14,997,000 by deposit (2015: approximately RMB66,579,000) .

(b) Certain buildings with net book amount of approximately RMB117,112,000 as at 31 December 2016 (2015: approximately RMB105,037,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 41 for details.

16. PREPAID LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Cost		
As at the beginning of the year	**125,281**	110,214
Additions	**—**	15,067
Derecognition	**(14,602)**	—
As at the end of the year	**110,679**	125,281
Accumulated depreciation		
As at the beginning of the year	**16,760**	12,168
Charge for the year	**4,378**	4,592
Derecognition	**(222)**	—
As at the end of the year	**20,916**	16,760
Net book values	**89,763**	108,521
Analysed for reporting purposes as:		
Current assets	**4,378**	4,822
Non-current assets	**85,385**	103,699
	89,763	108,521

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 26 and 48 years.

The prepaid lease payments with net book amount of approximately RMB18,857,000 as at 31 December 2016 (2015: approximately RMB19,333,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 41 for details.

17. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Place and date of incorporation	Principle country of operation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the company Direct %	Indirect %	Principle activities
China Putian Investments Limited	The BVI, 13 November 2013	Hong Kong	USD1	100	—	Investment holding
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 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.

18. INVENTORIES

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

	2016 RMB'000	2015 RMB'000
Hogs feeds	38,013	13,006
Raw materials (Note)	5,404	5,333
Frozen pork products	17,842	22,603
	61,259	40,942

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:

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	437,246	493,737

19. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	Commodity hogs RMB'000	Total RMB'000
As at 1 January 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 and 1 January 2016	3,509	73,663	77,172
Increase due to purchases	11,096	321,472	332,568
Increase due to raising (Feeding cost and others)	4,089	141,629	145,718
Transfer	(7,737)	7,737	—
Decrease due to retirement and deaths	(1,238)	(5,004)	(6,242)
Decrease due to sales	—	(459,997)	(459,997)
Change in fair value less costs to sell	(1,994)	4,018	2,024
As at 31 December 2016	**7,725**	**83,518**	**91,243**

The numbers of biological assets are as follows:

	2016	2015
Breeder hogs	**1,708**	1,148
Commodity hogs	**53,050**	53,969
	54,758	55,117

19. BIOLOGICAL ASSETS (Continued)

Analysed for reporting purposes as:

	2016 RMB'000	2015 RMB'000
Current assets	**83,518**	73,663
Non-current assets	**7,725**	3,509
At the end of the year	**91,243**	77,172

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.

The Qualification of Valuer

The Group's biological assets were independently valued by external valuer, 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.

19. BIOLOGICAL ASSETS (Continued)

The Qualification of Valuer (Continued)

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.

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:

- To obtain the warehouse records reflecting the quantities of hogs and piglets as at the reporting date;
- To perform physical counting of hogs and piglets within the curtain-barns as at the reporting date;
- 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
- To compare and reconcile the results with the stocktaking records prepared by the Group.

19. BIOLOGICAL ASSETS (Continued)

Physical count of biological assets (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

20. DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	RMB'000	RMB'000
Deposits paid for property, plant and equipment (Note)	**12,719**	24,998

Note: The deposits and prepayments for property, plant and equipment as at 31 December 2016 and 2015 were mainly for the purchase of equipment for upgrading of production facilities in the Group's slaughterhouse and breeding farm.

21. TRADE RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	**102,269**	96,037

The fair values of trade receivables approximate their carrying amount.

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

	2016	2015
	RMB'000	RMB'000
Within 30 days	**62,974**	48,883
31 to 90 days	**39,295**	47,154
	102,269	96,037

As at 31 December 2016, there was no trade receivables that are past due but not impaired.

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

22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Advances to staff (Note (a))	**774**	388
Other deposits paid and prepayments (Note (b))	**87,320**	52,122
	88,094	52,510

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 2016, the amount was mainly for the acquisition of breeder hogs and parental breeder hogs of approximately RMB56,939,000 (2015: approximately RMB31,760,000) and the deposits paid of approximately RMB9,980,000 (2015: approximately RMB10,230,000) which mainly related to guarantees paid to, amongst others, hog suppliers to secure a stable supply of commodity hogs as requested by such supplier.

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Cash and Cash equivalents compose:

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**13,088**	3,875
Pledged bank deposits	**8,505**	5,970
Bank overdrafts	**(4,413)**	(2,793)
	17,180	7,052

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less and carry interest at the prevailing market rates which at 1.55% per annum during the reporting period (2015: 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 RMB8,823,000 (2015: approximately RMB3,596,000) which are not freely convertible into other currencies.

24. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**5,659**	5,811
Bills payables	**28,350**	19,900
	34,009	25,711

The ageing analysis of trade payables is as follows:

	2016 RMB'000	2015 RMB'000
Within 30 days	**4,793**	4,124
31 to 90 days	**539**	1,411
91 to 180 days	**327**	276
	5,659	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 twelve months (2015: twelve months) from the end of the reporting period.

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Deposits received	**2,471**	2,663
Other payables for property, plant and equipment	**2,295**	3,766
Accruals and other payables	**13,140**	7,165
	17,906	13,594

26. BORROWINGS

	2016 RMB'000	2015 RMB'000
Borrowings — secured	**245,071**	140,000

	2016 RMB'000	2015 RMB'000
Carrying amount repayable:		
On demand or within one year	**245,071**	140,000

Borrowings at:

	2016 RMB'000	2015 RMB'000
— Bank borrowings at floating interest rate	**150,000**	140,000
— Non-convertible note at fixed interest rate	**95,071**	—
	245,071	140,000

The borrowings were denominated in RMB and Hong Kong dollars. The borrowing of approximately RMB95,071,000 was denominated in Hong Kong dollars for the years ended 31 December 2016.

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

	2016 %	2015 %
Floating rate	**4.79**	4.85–5.60
Fixed rate	**6.00**	—

On 28 September 2016, 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 and Mr. Cai Chenyang, entered into the subscription agreement (the "Subscription Agreement 2") in respect of the issue of the non-convertible note ("Note") in the principal amount of HK$110,000,000 equivalent to approximately RMB95,071,000 due 2018 with an annual interest rate of 6.0% payable semi-annually and bear an administrative fee of 2.0% per annum which was deducted as a lump sum from the issue price at the closing of the subscription and issue of the Note on 13 October 2016.

26. BORROWINGS (Continued)

	2016 RMB'000	2015 RMB'000
Note	**95,071**	—

Unless previously redeemed, or purchased and cancelled, the Company will redeem all the outstanding Note held by the noteholder on the date falling 2 years after the issue date of the Note at an amount equal to the aggregate of: (a) the aggregate principal amount of such outstanding Note held by such noteholder; and (b) any accrued but unpaid interest on such outstanding Note.

The principal terms of the Note are summarised in the Company's announcement dated 28 September 2016.

As at 31 December 2016, the obligations of the Company in relation to the Note of approximately RMB95,071,000 were secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui, as summarized in the Company's announcement dated 28 September 2016. (Note 38(c)).

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

	2016 RMB'000	2015 RMB'000
Property, plant and equipment (Note 15)	**117,112**	105,037
Prepaid lease payments (Note 16)	**18,857**	19,333
	135,969	124,370

As at 31 December 2016, the Group's bank borrowings of RMB150,000,000 was guaranteed by the Company, Company's director, Mr. Cai Chenyang and pledged assets of the subsidiary, Tianyi (Fujian) Modern Agriculture Development Co., Ltd.

27. DEFERRED REVENUE

	2016 RMB'000	2015 RMB'000
Arising from government grant (Note)	**3,187**	3,440

27. DEFERRED REVENUE (Continued)

Analysed for reporting purposes as:

	2016 RMB'000	2015 RMB'000
Current liabilities	**253**	253
Non-current liabilities	**2,934**	3,187
	3,187	3,440

Note: As at 31 December 2016 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/DERIVATIVE FINANCIAL LIABILITY

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 1") in respect of the issue of the convertible bonds ("Convertible Bonds due 2017") 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 due 2017, after deducting expenses, are approximately HK$198,834,000 equivalent to approximately RMB146,004,000.

Upon full conversion of the Convertible Bonds due 2017 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 due 2017 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 would have been issued after adjusted retrospectively for the share subdivision (one into two) with effect on 2 July 2015 (Note 31).

As at 13 October 2016, no Convertible Bonds due 2017 has been converted and all Convertible Bonds due 2017 have been early redeemed.

On 28 September 2016, the Company and the Investor and Mr. Cai Chenyang, the chairman of the Board and the sole shareholder of Zhan Rui (as defined below) entered into the Subscription Agreement 2 in respect of the issue of the convertible bond ("Convertible Bond due 2018") in the principal amount of HK$150,000,000 equivalent to approximately RMB128,606,000 due 2018 with an annual interest rate of 5.0% payable semi-annually and bear an administrative fee of 2.0% per annum which was deducted as a lump sum from the issue price at the closing of subscription and the issue of the Convertible Bond due 2018 on 13 October 2016. The proceeds from the Convertible Bond due 2018, after deducting expenses and the administrative fee, are approximately HK$143,334,000 equivalent to approximately RMB122,891,000.

28. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITY (Continued)

Upon full conversion of the Convertible Bond due 2018 at the initial conversion price of HK$0.55 per share, a total of 272,727,273 ordinary shares with a par value of HK$0.05 each would be issued.

If the order book volume weighted average price of the stock price for any 10 consecutive trading days in Hong Kong Stock Exchange is lower than HK$0.40, the conversion price will be adjusted to HK$0.44. Upon full conversion of the Convertible Bond due 2018 at the conversion price of HK$0.44 per share, a total of 320,000,000 conversion shares with a par value of HK$0.05 each would have been issued ("Convertible Price Adjustment").

As at 31 December 2016, no Convertible Bond due 2018 has been converted.

The principal terms of the Convertible Bond due 2018 are summarised in the Company's announcement dated 28 September 2016.

Unless previously redeemed, repurchased and cancelled or converted, the Company will redeem all the outstanding Convertible Bond due 2018 held by the bondholder on the date falling 2 years after the issue date of such outstanding Convertible Bond due 2018 (the "Maturity Date"), at an amount equal to the aggregate of:

(a) the aggregate principal amount of such outstanding Convertible Bond due 2018 held by such bondholder;

(b) an amount which would give such bondholder an internal rate of return of 10% in respect of the aggregate principal amount of such outstanding Convertible Bond due 2018 as at the Maturity Date; and

(c) any accrued but unpaid interest and administrative fee on such outstanding Convertible Bond due 2018.

The net proceeds received from the issue of the Convertible Bond due 2018 have been split between a liability component and a derivative financial liability in its initial recognition as follows:

(a) liability component is equal to the difference between the net proceeds received and the fair value of derivative financial liability, amounted to approximately HK$89,912,000 equivalent to approximately RMB77,088,000, and it is subsequently measured at amortised cost by applying an effective interest rate of 36.90% per annum;

(b) derivative financial liability, which is initially measured at fair value, amounted to approximately HK$53,422,000 equivalent to approximately RMB45,803,000 which is presented in current liabilities as derivative financial liability.

28. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITY (Continued)

The movements of the liability component, derivative financial liability and equity component of the convertible bonds for the Reporting Period are set out below:

	Liability component RMB'000	Derivative financial liability RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2015	129,950	—	32,212	162,162
Imputed interest charged	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 and 1 January 2016	155,500	—	32,212	187,712
Convertible Bond due 2018 issued on 13 October 2016	77,088	45,803	—	122,891
Convertible Bonds due 2017 redeemed on 13 October 2016	(176,352)	—	(32,212)	(208,564)
Imputed interest charged (Note 8)	37,298	—	—	37,298
Interest paid for the year	(14,077)	—	—	(14,077)
Administrative fee payable	(1,335)	—	—	(1,335)
Change in fair value of convertible bonds	—	(9,077)	—	(9,077)
Exchange alignment	7,809	1,821	—	9,630
As at 31 December 2016	**85,931**	**38,547**	**—**	**124,478**

Net cash flow for issue/redemption of convertible bonds and non-convertible note is approximately RMB33,328,000.

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 816,000,000 shares 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 1, the bond instrument constituting the Convertible Bonds due 2017, and the Share Charge Deed. On 13 October 2016, all Convertible Bonds due 2017 were early redeemed, and the security under the Share Charge Deed was released.

28. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITY (Continued)

As at 31 December 2016, the obligations of the Company in relation to the Convertible Bond due 2018 of RMB124,478,000 (2015: RMB187,712,000) were secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui. (Note 38(c)).

Fair value of convertible bonds and assumptions

The estimate of fair values of the Convertible Bonds due 2017 and Convertible Bond due 2018 granted were calculated by the Valuer using binomial model and Monte Carlo Simulation Model respectively. 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 and Monte Carlo Simulation Model are 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.

Assumptions and inputs adopted in the valuation are listed below:

	Convertible Bond due 2018 on 13 October 2016	Convertible Bonds due 2017 on 13 October 2016	Convertible Bonds due 2017 on 26 June 2014
Share price at grant date/redemption date (HK$)	0.485	0.485	0.600
Exercise price (HK$)	0.55	0.65	0.65
Expected volatility (Note (a))	57.78%	46.39%	39.49%
Dividend yield	Nil	Nil	Nil
Risk-free interest rate (Note (b))	0.456%	0.363%	0.816%
Life of Convertible Bond	2 years	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 the Issuer.

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

(c) The Bondholder early redemption option is subject to the condition the sum of the number of conversion shares and the number of shares constituted by the Securities Account Charge constitute less than 50% of the issued share capital. Advised by the Company, the condition is not satisfied. As a result, the fair value of Bondholder early redemption option is minimal.

29. SHARE OPTION SCHEME

Detail of the share option scheme of the Company

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.

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.

29. SHARE OPTION SCHEME (Continued)

Detail of the share option scheme of the Company (Continued)

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 is 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 31 December 2016, the number of shares available for issue under the Share Option Scheme were 120,840,000 ordinary shares, representing 7.6% of the number of issued shares of the Company.

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 ordinary 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 ordinary shares with par value of HK$0.1 each (i.e. 159,680,000 ordinary 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	32,520,000	31/03/2015	31/12/2015	30/03/2025	0.595
(2) Granted on 31 March 2015	42,580,000	31/03/2015	31/12/2016	30/03/2025	0.595
(3) Granted on 31 March 2015	45,740,000	31/03/2015	31/12/2017	30/03/2025	0.595

29. SHARE OPTION SCHEME (Continued)

Detail of the share option scheme of the Company (Continued)

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

Grantee	Exercisable period	Exercisable price per shares (adjusted by Share Subdivision on 2 July 2015) (HK$)	Balance as at 31 December 2015 and 1 January 2016 ('000)	Lapsed during the period ('000)	Exercised during the period ('000)	Cancelled during the period ('000)	Balance as at 31 December 2016 ('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	(720)	—	—	10,300
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	17,840	(1,820)	—	—	16,020
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	20,400	(2,740)	—	—	17,660
			130,740	**(9,900)**	**—**	**—**	**120,840**

Notes:

(a) The share options were vested upon granted and recognised equity-settled share-based payment expense over vesting period.

(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.

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 measurement 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 42 staffs declined the share options to subscribe for a total of 39,160,000 shares, the adjusted fair value of all the share options granted and accepted was HK$37,344,000 equivalent to approximately RMB29,950,000. The Group recognised approximately RMB9,048,000 as equity-settled share-based payment expense in the profit and loss for the year ended 31 December 2016 (2015: approximately RMB16,683,000).

(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.

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. As at 31 December 2016, 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 rate	0.315%	0.416%

31. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Authorised:			
At 1 January 2015 of HK$0.1 each	40,000,000,000	4,000,000	3,240,009
Subdivided share on 2 July 2015 (Note)	40,000,000,000	—	—
At 31 December 2015, 1 January 2016 31 December 2016 ordinary shares of HK$0.05 each	80,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
At 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, 1 January 2016 31 December 2016 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.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current asset		
Investment in subsidiaries	**81**	81
Current assets		
Amounts due from subsidiaries	**260,618**	234,543
Deposits paid and prepayments	**634**	709
Cash and bank balances	**3,222**	193
	264,474	235,445
Current liabilities		
Amount due to a subsidiary	**—**	6,342
Borrowing	**95,071**	—
Derivative financial liability	**38,547**	—
Bank overdrafts	**4,413**	2,793
Accruals and other payables	**5,146**	2,381
	143,177	11,516
Net current assets	**121,297**	223,929
Total assets less current liabilities	**121,378**	224,010
Non-current liability		
Convertible bonds	**85,931**	155,500
Net assets	**35,447**	68,510
Equity		
Share capital	**65,178**	65,178
Share premium and reserves	**(29,731)**	3,332
Total equity	**35,447**	68,510

Approved by the Board of Directors on 30 March 2017 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Haifang
Executive Director

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 2015	18,586	32,212	—	—	(20,004)	30,794
Loss and total comprehensive loss for the year	—	—	—	—	(56,903)	(56,903)
Share-based payment expenses	—	—	16,683	—	—	16,683
Issue of warrants	—	—	—	12,758	—	12,758
As at 31 December 2015 and 1 January 2016	18,586	32,212	16,683	12,758	(76,907)	3,332
Loss and total comprehensive loss for the year	—	—	—	—	(38,916)	(38,916)
Share-based payment expenses	—	—	9,048	—	—	9,048
Release upon redemption of convertible bonds	—	(32,212)	—	—	29,017	(3,195)
As at 31 December 2016	**18,586**	**—**	**25,731**	**12,758**	**(86,806)**	**(29,731)**

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$1,500 (2015: HK$: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 (2015: 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 RMB1,448,000 (2015: approximately RMB1,518,000) 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 borrowings, convertible bond 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 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:

	2016 **RMB'000**	2015 RMB'000
Total debts (Note)	**335,415**	298,293
Total equity	**600,727**	592,509
Gearing ratio (%)	**55.8%**	50.3%

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

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
— Trade receivables	102,269	96,037
— Deposits paid and other receivables	12,949	11,963
— Pledged bank deposits	8,505	5,970
— Cash and bank balances	13,088	3,875
Financial liabilities		
Amortised cost		
— Trade and bills payables	34,009	25,711
— Accruals, deposits received and other payables	17,906	13,594
— Borrowings	245,071	140,000
— Bank overdrafts	4,413	2,793
— Convertible bond(s)	85,931	155,500
Fair value through profit or loss		
— Derivative financial liability	38,547	—

(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 and other receivables, trade and bills payables, accruals, deposits received and other payables, pledged bank deposits, cash and bank balances, borrowings, bank overdrafts, convertible bonds and derivative financial liability. 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 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 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 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 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 RMB772,000 (2015: approximately RMB2,093,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate 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.

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.

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 2016						
Non-derivative financial liabilities						
Trade payables and bills payables	—	34,009	—	—	34,009	34,009
Accruals, deposits received and other payables	—	17,906	—	—	17,906	17,906
Borrowings	5.27	268,044	—	—	268,044	245,071
Bank overdrafts	3.27	4,413	—	—	4,413	4,413
Convertible bond	36.90	6,749	148,326	—	155,075	85,931
		331,121	148,326	—	479,447	387,330
Derivative financial liability						
Derivative financial liability	—	—	—	—	—	38,547
		331,121	148,326	—	479,447	425,877

	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

37. FAIR VALUE MEASUREMENT

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 determined 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 2016		As at 31 December 2015	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds due 2017	—	—	155,500	156,879
Convertible bond due 2018	**85,931**	**90,917**	—	—

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).

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 2016				
Biological assets				
— breeder hogs	—	7,725	—	7,725
— commodity hogs	—	83,518	—	83,518
	—	91,243	—	91,243
Derivative financial liability	—	38,547	—	38,547

	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

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.

37. FAIR VALUE MEASUREMENT (Continued)

Type	Fair value hierarchy	Valuation technique and key inputs	Significant observable input
Biological assets			
Breeder hogs and commodity hogs	Level 2	The fair value less costs to sell of breeder hogs and porkers are determined using market approach with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price of pigs (RMB16.86/kg) (2015: RMB17.04/kg) (Note (a)) • Prevailing market price of piglets/weaners (RMB26.61/kg) (2015: RMB34.73/kg) (Note (b)) • Prevailing market price of boars (RMB7,000/head) (2015: RMB4,000/head) (Note (c)) • Prevailing market price of sow (RMB4,400/head) (2015: RMB1,800/head) (Note (d))
Financial liability			
Derivative financial liability	Level 2	The fair value is determined using Monte Carlo Simulation Model with assumptions with risk free rate, volatility, dividend yield and credit spread keep constant throughout the life of the convertible bond	• Risk free rate is 1.004% (Note (e)) • Expected volatility is 58.24% (Note (f)) • Dividend yield is nil • Credit spread is 36.75% (Note (g)) • Life of the Bond is 1.78 year (Note (h))

37. FAIR VALUE MEASUREMENT (Continued)

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.

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.

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

(f). Volatility is the annualized standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Issuer.

(g). Credit spread is determined with reference credit analysis of the Issuer and the market rate with similar credit ratio.

(h). Life of the Bond is determined between valuation date and the maturity date.

(i). The Bondholder early redemption option is subject to the condition the sum of the number of conversion shares and the number of shares constituted by the Securities by the Securities Account Charge constitute less than 50% of the issued share capital. Advised by the Company, the condition is not satisfied.

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

	2016 **RMB'000**	2015 RMB'000
Short term employee benefits	**11,103**	15,783
Retirement benefits schemes contributions	**134**	148
	11,237	15,931

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) As at 31 December 2016, the Group's bank borrowings of RMB150,000,000 (2015: 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 2016, the obligations of the Company in relation to the Convertible Bond due 2018 with derivative financial liability of approximately RMB124,478,000 and Note of approximately RMB95,071,000 were secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui, as summarized in the Company's announcement dated 28 September 2016. Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group, was deemed to be interested in 816,000,000 ordinary shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.

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:

	2016 **RMB'000**	2015 RMB'000
Within one year	**4,614**	2,483
In the second to fifth years, inclusive	**5,336**	740
After five years	**39,167**	41,476
	49,117	44,699

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.

40. CAPITAL COMMITMENTS

	2016 **RMB'000**	2015 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**74,681**	55,909

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):

	2016	2015
	RMB'000	RMB'000
Property, plant and equipment	**117,112**	105,037
Prepaid lease payments	**18,857**	19,333
	135,969	124,370

42. SUBSEQUENT EVENT

On 17 March 2017, the Company and the Joint Venture ("JV") Partner entered into the JV Agreement in relation to the formation of the JV Company, a limited liability company which will be established in the PRC and principally engaged in inter alia, the farming of hogs, the processing of pork and animal feeds, as well as the trading of pork.

The registered capital of the JV Company will be RMB100,000,000 (equivalent to approximately HK$112,500,000) of which the Company will contribute a total of RMB40,000,000 (equivalent to approximately HK$45,000,000) representing 40% of the total registered capital of the JV Company.

The details of JV Company are summarised in the Company's announcement dated 17 March 2017.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017.

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				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**599,683**	659,862	624,006	626,127	580,158
Cost of sales	**(470,674)**	(530,684)	(480,309)	(464,250)	(430,209)
Gross profit	**129,009**	129,178	143,697	161,877	149,949
Other income and losses	**(2,317)**	3,833	3,296	4,107	3,549
Gain/(loss) arising from change in fair value less costs to sell of biological assets	**2,024**	(2,725)	(663)	(3,297)	4,259
Selling and distribution expenses	**(26,236)**	(25,153)	(25,122)	(20,077)	(20,334)
Administrative expenses	**(37,748)**	(47,734)	(35,247)	(27,455)	(26,129)
Finance costs	**(46,592)**	(41,864)	(25,564)	(8,320)	(6,042)
Other operating expenses	**—**	—	—	(412)	(147)
Equity-settled share-based payment expense	**(9,048)**	(16,683)	—	—	—
Gain arising from fair value change of derivative financial liability	**9,077**	—	—	—	—
Fair value loss in issuance of unlisted warrants	**—**	(6,965)	—	—	—
Profit/(loss) before taxation	**18,169**	(8,113)	60,397	106,423	105,105
Taxation	**—**	—	—	—	—
Profit/(loss) for the year and attributable to owners of the Company	**18,169**	(8,113)	60,397	106,423	105,105

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,029,791**	933,547	877,349	657,818	521,362
Total liabilities	**(429,064)**	(341,038)	(297,977)	(175,129)	(138,382)
Equity attributable to owners of the Company	**600,727**	592,509	579,372	482,689	382,980

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