

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)

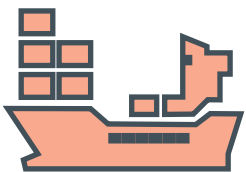
Stock Code 股份代號: 1699



普甜
PUTIAN



Interim
Report 2017
中期報告

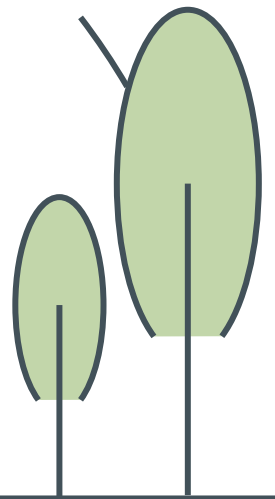




*CHINA PUTIAN FOOD
HOLDING LIMITED IS A*

Leading Vertically
INTEGRATED

PORK PRODUCTS SUPPLIER

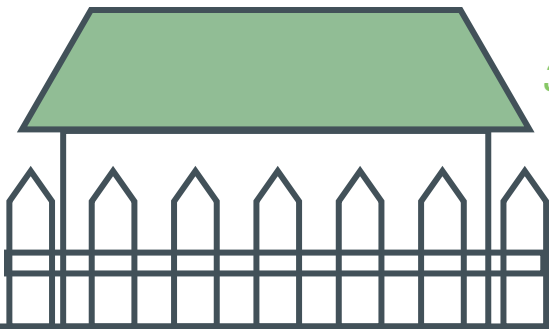


中國普甜食品控股有限公司為
領先的垂直一體化豬肉供應商



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Corporate Information



Directors

Executive Directors

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

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 Bankers

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Head Office and Principal Place of Business in the PRC

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

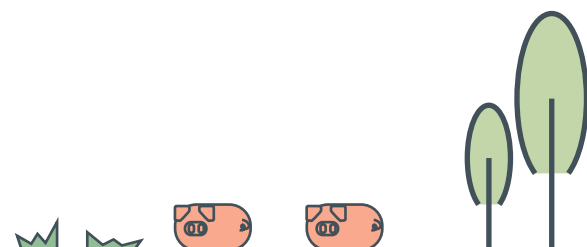
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company Website

www.putian.com.hk

Stock Code

1699





Management Discussion and Analysis

Business Review

For the six months ended 30 June 2016 (the “Review Period”), the Group recorded revenue of approximately RMB247,144,000, representing a decrease of approximately 22.0% as compared with the six months ended 30 June 2016, and net profit of approximately RMB8,942,000, representing an decrease of approximately 57.8% as compared with the six months ended 30 June 2016. The decrease in net profit was mainly due to the change from gain to loss arising from change in fair value less costs to sell of biological assets, the decrease in sales of pork products and the increase in selling and distribution expenses mainly resulting from upfront marketing fees for market exploration of black hog products in the future; and partially offset by the decrease in administrative expenses and the increase in gain arising from fair value change of derivative financial liabilities.

During the Review Period, the Group’s new hog farms commenced operation smoothly, which will meet the sales demand of black hog products in such key markets as Shanghai, Hebei and Beijing. The hog farm in Xuanhua, Hebei introduced piglets in December 2016 upon

completion of its basic construction work, which cannot be moved out of the curtain-barns until six months later. 60 hogs were moved out of the curtain-barns in the first half of the year, and the number is expected to gradually increase after the Review Period. Currently, the capacity utilisation rate is 5% as most breeder hogs are still in pregnancy stage after being introduced in December 2016. The Shiti farm located in Putian, Fujian has been operating smoothly, and 735 black hogs were moved out of the curtain-barns in the first half of 2017 with capacity utilisation rate of 17%.

The Group continued to expand its distribution network and opened 15 new sales outlets in aggregate. The Group launched a new sales model of “White+Black” (白加黑) in Fujian to help black hog products penetrate into market while reducing the proportion of white pork and frozen pork, so as to gradually transfer our sales to focus on high-end products. Currently, revenue generated from the brand of “Putian Black Pearl” accounts for 23.45% of total revenue with diversified sales channels, including over 30 stores in supermarkets, family delivery package membership in high-end communities, group food and beverage, enterprise procurement, distributors and e-commerce.

Financial Review

1. Revenue

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

Revenue	Six months ended 30 June			
	2017		2016	
	RMB'000 (unaudited)	Percentage of total revenue (%)	RMB'000 (unaudited)	Percentage of total revenue (%)
Retail of pork	141,831	57.4	174,366	55.0
Wholesale of pork	96,281	39.0	121,016	38.2
Retail of frozen pork	6,801	2.7	9,675	3.1
Wholesale of commodity hogs	2,231	0.9	11,711	3.7
	247,144	100.0	316,768	100.0





The total unaudited revenue of the Group decreased from approximately RMB316,768,000 for the six months ended 30 June 2016 to approximately RMB247,144,000 for the six months ended 30 June 2017, resulting in a decrease in total revenue of approximately 22.0% as compared with the corresponding period last year, which was mainly attributable to (i) weak end-product sales resulting from the slowdown of China's macro economy; (ii) reduced sales of white pork as a result of targeted publicity and promotion of black pork products in Fujian to enhance sales of high-end black pork.

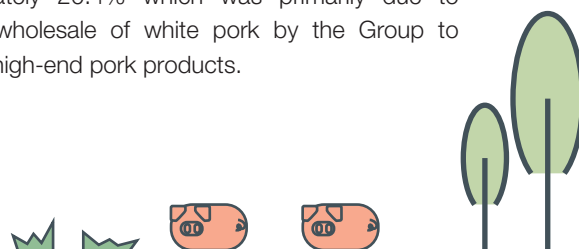
Revenue from Retail of Pork

The Group's unaudited revenue from retail of pork decreased from approximately RMB174,366,000 for the six months ended 30 June 2016 to approximately RMB141,831,000 for the six months ended 30 June 2017, representing a decrease of approximately 18.7%. The Group continued to expand its sales network with a view to increasing the market share of pork retailing in the target markets. During the Review Period, new retail outlets comprised a total of 15 stores, including 5 stores in LOTUS, 5 stores in Chao Shifa, 2 stores in China Resources Vanguard, 1 store in Happiness Mart and 2 stores in Jenny Wang. The Group is planning to expand into Shanghai and Hong Kong, and is expected to enter in the two markets in the second half of the year 2017. As of 30 June 2017, the Group had 95 retail counters, principally including

counters in supermarkets and department stores with regional influence such as New Huadu, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart, Rainbow, etc in five cities of Fujian region, namely Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou. In Beijing, the Group launched the retail sales through certain influential supermarkets or department stores such as New World and C.P. Lotus Corporation. The Company also has 16 direct sales retail outlets of its own, which are located in Putian and Fuzhou. Through internet advertising campaigns and favorable recommendations among customers, products of "Putian" brand have gradually gained recognition of being reliable and savory, particularly from high spending customers, who are concerned with their living standards. The management expects that the revenue from retail of pork will increase by leveraging further expansion of the distribution networks of "Putian" brand.

Revenue from Wholesale of Pork

The Group's unaudited revenue from wholesale of pork decreased from approximately RMB121,016,000 for the six months ended 30 June 2016 to approximately RMB96,281,000 for the six months ended 30 June 2017, representing a decrease of approximately 20.4% which was primarily due to reduced wholesale of white pork by the Group to focus on high-end pork products.





Management Discussion and Analysis (Continued)

Revenue from Retail of Frozen Pork

The Group's unaudited revenue from retail of frozen pork decreased from approximately RMB9,675,000 for the six months ended 30 June 2016 to approximately RMB6,801,000 for the six months ended 30 June 2017, representing a decrease of approximately 29.7% which was mainly attributable to reduced retail of frozen pork by the Group to focus on high-end pork products.

Revenue from Wholesale of Commodity Hogs

The Group's unaudited revenue from wholesale of commodity hogs decreased from approximately RMB11,711,000 for the six months ended 30 June 2016 to approximately RMB2,231,000 for the six months ended 30 June 2017, representing a decrease of approximately 80.9%, and accounting for approximately 0.9% of the total revenue.

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

2. Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2017		2016	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	(%)	(%)	(%)	(%)
	RMB'000		RMB'000	
	(unaudited)		(unaudited)	
Gross profit and gross profit margin				
Retail of pork	29,204	20.6	42,167	24.2
Wholesale of pork	16,136	16.8	24,318	20.1
Retail of frozen pork	417	6.1	1,125	11.6
Wholesale of commodity hogs	703	31.5	1,589	13.6
	46,460	18.8	69,199	21.8

The overall unaudited gross profit of the Group decreased from approximately RMB69,199,000 for the six months ended 30 June 2016 to approximately RMB46,460,000 for the six months ended 30 June 2017. The overall gross profit margin of the Group decreased from 21.8% for the six months ended 30 June 2016 to approximately 18.8% for the six months ended 30 June 2017, which was due to reduced sales of white pork as a result of upfront targeted publicity and promotion of black pork products to enhance the sales of high-end black pork. The decrease in gross profit margin was attributable to the short-term effect of gradual transformation to the high-end pork market on performance and sales.

Gross Profit and Gross Profit Margin for the Retail of Pork

The gross profit from the retail of pork decreased from approximately RMB42,167,000 for the six months ended 30 June 2016 to approximately RMB29,204,000 for the six months ended 30 June 2017. The gross profit margin for the retail of pork dropped from approximately 24.2% for the six months ended 30 June 2016 to approximately 20.6% for the six months ended 30 June 2017. For the Review Period, the gross profit and gross profit margin for this segment dropped due to the fact that the sales of white pork were reduced as a result of upfront targeted publicity and promotion of black pork





products to enhance sales of high-end black pork. The decrease in gross profit margin was attributable to the short-term effect of gradual transformation to the high-end pork market on performance and sales.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from the wholesale of pork fell from approximately RMB24,318,000 for the six months ended 30 June 2016 to approximately RMB16,136,000 for the six months ended 30 June 2017. The gross profit margin for the wholesale of pork dropped from approximately 20.1% for the six months ended 30 June 2016 to approximately 16.8% for the six months ended 30 June 2017. The gross profit and gross profit margin for the wholesale of pork dropped due to reduced sales of white pork as a result of upfront targeted publicity and promotion of black pork products to enhance sales of high-end black pork. The decrease in gross profit margin was attributable to the short-term effect of gradual transformation to the high-end pork market on performance and sales.

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

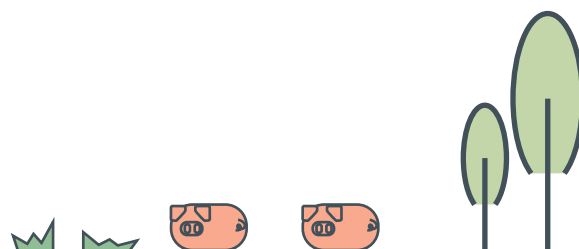
The gross profit from the retail of frozen pork decreased from approximately RMB1,125,000 for the six months ended 30 June 2016 to approximately RMB417,000 for the six months ended 30 June 2017. The gross profit margin for the retail of frozen pork decreased from approximately 11.6% for the six months ended 30 June 2016 to approximately 6.1% for the six months ended 30 June 2017. The decrease in gross profit and gross profit margin for this segment was mainly due to reduced sales of white pork as a result of upfront targeted publicity and promotion of black pork products to enhance sales of high-end black pork. The decrease in gross profit margin was attributable to the short-term effect of gradual transformation to the high-end pork market on performance and sales.

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

The gross profit from the wholesale of commodity hogs decreased from approximately RMB1,589,000 for the six months ended 30 June 2016 to approximately RMB703,000 for the six months ended 30 June 2017. The gross profit margin for the wholesale of commodity hogs increased from approximately 13.6% for the six months ended 30 June 2016 to approximately 31.5% for the six months ended 30 June 2017. The increase in gross profit margin for the wholesale of commodity hogs was mainly due to the sales of black commodity hogs.

3. Profit for the six months ended 30 June 2017

The profit for the six months ended 30 June 2017 decreased by approximately 57.8% from approximately RMB21,193,000 for the six months ended 30 June 2016 to approximately RMB8,942,000. The decrease was mainly due to (i) the decrease in the gross profit from approximately RMB69,199,000 for the six months ended 30 June 2016 to approximately RMB46,460,000 for the six months ended 30 June 2017, mainly attributable to a decrease in sales of pork products by approximately 41.9%, (ii) the change from gain to loss arising from the change in the fair value less costs to sell of biological assets (from gain of approximately RMB12,777,000 for the six months ended 30 June 2016 to loss of approximately RMB5,673,000 for the six months ended 30 June 2017) and (iii) the increase in selling and distribution expenses from approximately RMB12,576,000 for the six months ended 30 June 2016 to approximately RMB15,087,000 for the six months ended 30 June 2017 which was mainly resulting from upfront marketing fees for market exploration of black hog products in the future; and partially offset by the decrease in administrative expenses by approximately RMB6,962,000 and the increase in gain arising from fair value change of derivative financial liabilities by approximately RMB24,147,000.





Management Discussion and Analysis (Continued)

Prospects

1. Enhance the market penetration of the high-end brand “Putian Black Pearl” by optimising the production process to promote sales of black hog products

With a broad distribution network, the sales proportion of the products of “Putian Black Pearl” brand has been increasing. The Group will strengthen its retail sales, individual and institutional customer base, and enhance the brand’s high-end image by continuing the online and offline advertising and promotion plans. The Group will continue its distribution and development plan for “Putian Black Pearl” in a diversified manner, including entering into approximately over 70 outlets of such supermarkets as Walmart and Sam’s Club, Carrefour, Auchan, Wumart, AEON, Yonghui, Tesco, Jiu Guang Department Store, LOTUS and Hema Xiansheng (盒馬鮮生); developing 45 or more high-end food and beverage and hotel units in the next six months; developing over 1,000 fresh delivery family members; and opening 30 new direct sales outlets in Shanghai, being our key market, opening 5 new outlets in Hong Kong and entering in 12 supermarkets. The Group plans to develop new product lines as a supplement to the existing product lines, such as packaged frozen products, cooked food and processed products, so as to promote the diversification of the high quality products, and to strengthen the completeness and sales competitiveness of the product series.

The Xuanhua Farm located in Hebei has been operating smoothly and has commenced production, and the Shiti Farm located in the Group’s headquarters – Putian – has also increased its capability. The two farms specialise in the breeding of black hogs as planned, with increase of output of hogs to meet future sales needs.

During the Review Period, the Group and Beijing Heiliu Muye Keji Company Limited* 北京黑六牧業科技有限公司 (“Heiliu”) entered into a joint venture agreement in relation to the formation of a joint venture company, which is principally engaged in inter alia, the farming of hogs, the processing of pork and animal feeds, as well as the trading of pork. Heiliu is expected to provide Beijing black hog breed. The collaboration will further the business development potential of the Group.

2. Strengthen the depth and breadth of retail sales in Beijing, Hebei, Shanghai and Hong Kong to focus on high-end pork market

With continuous and healthy growth of domestic demand in China, new market space and potential are created by consumers’ expectations of food quality. The Group’s high-end products can meet this consumption pursuit. The high-end pork products market in Beijing is still developing with demand growing steadily. As Hebei is a key development region in the hog industry under the national planning, the Group has set up a black hog farm in Xuanhua as its production chain in the region for the future distribution coverage. The Group expects that the number of direct sales outlets in Shanghai in the second half of the year 2017 will reach approximately 30, and will expand its supermarket network based on LOTUS, Carrefour, Sam’s Club, Hema Xiansheng, Jiu Guang Department Store, Takashimaya, Tesco and China Resources Ole’. A company under the Group in Shanghai added a secondary fine cut and packing production line, which is expected to commence production in August of the year with capacity of 50 tones of products with modified atmosphere packaging. The capacity utilisation rate is expected to be around 40% in 2017, and be increased to around 80% and 100% in 2018 and 2019 respectively. It is expected that the Group would open 5 outlets in Hong Kong, including a Sai Ying Pun store and a Wanchai store which will open in October 2017. The number of outlets in supermarkets in Hong Kong is expected to reach 12 by the end of the year.

* For identification purpose only





3. Carry out regional online business where appropriate and integrate the promotion layout

E-commerce and online marketing may promote online sales, improve brand penetration and familiarities and effectively consolidate the physical businesses. As such, the Group focuses on targeted online layout to accelerate online sales and indirectly attract loyal customer base. The Group has established eight e-commerce platforms, including Minsheng E-commerce, JD Specialty Pavilion (京東特產館), WeiMall, etc. The Group plans to develop more than 10 influential e-commerce systems in Beijing in the future, including JD.com, YHD.COM, chunbo.com, YIGUO.COM, urfresh.cn, etc. At the initial stage after entering in Shanghai market, the Group will also leverage such regional e-commerce platforms as womai.com, Meiri Youxian (每日優鮮), urfresh.cn and Shixing Shengxian (食行生鮮) to secure recognition and loyalty in communities when initially opening stores together with pork nutrition and health education and "Putian" corporate culture promotion.

Liquidity and Financial Resources

Financial Resources

The Group primarily finances the capital required for operations by internally generated cashflow and bank facilities. As at 30 June 2017, cash and bank balances amounted to approximately RMB7,551,000 (31 December 2016: approximately RMB13,088,000).

Borrowings and Pledged Assets

As at 30 June 2017, the total amount of interest-bearing bank borrowings, notes and bank overdraft were approximately RMB150 million, RMB92,708,000 and RMB4,563,000 respectively, all of which would be due within one year (31 December 2016: interest-bearing bank borrowings, notes and bank overdraft were approximately RMB150 million, RMB95,071,000 and RMB4,413,000 respectively). The total amount of interest-bearing bank borrowings, notes and bank overdraft were denominated in Renminbi for the first and Hong Kong Dollar for the latter two respectively, and for interest-bearing bank borrowings and bank overdraft on a floating interest rate whilst for the notes at a fixed interest rate.

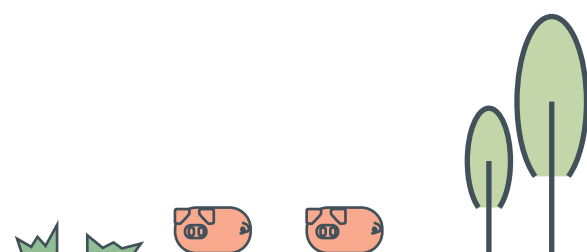
As at 30 June 2017, the bank borrowings of approximately RMB150,000,000 was pledged by the Group's property, plant and equipment and land with a total carrying value of approximately RMB112,262,000 (31 December 2016: approximately RMB135,969,000).

Gearing Ratio

As at 30 June 2017, the gearing ratio of the Group was 55.4% (31 December 2016: 55.8%). This was calculated by dividing interest bearing bank borrowings, notes, bank overdraft and convertible bonds with the total equity of the Group as at 30 June 2017.

Foreign Exchange Risk

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





Management Discussion and Analysis (Continued)

Material Acquisitions and Disposal of Subsidiaries

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.* ("Tianyi") 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 on 20 February 2017, the Target Company became an indirect wholly owned subsidiary of the Company.

Formation of a Joint Venture Company

On 17 March 2017, the Group and Heiliu entered into a joint venture agreement in relation to the formation of a joint venture company — Hebei Shoulong Heiliu Putian Muye Company Limited* 河北首農黑六普甜牧業有限公司, which will be a limited liability company 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. With the supply of the Beijing black hog breed from Heiliu, the Group expects that the joint venture company would generate profit from farming and trading such high-calibre Beijing black hogs, which will also further the business development potential of the Group by facilitating collaboration with Heiliu.

The registered capital of the joint venture 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 its total registered capital. Profit will be shared between the Group and Heiliu pro rata to their respective capital contribution in the joint venture company.

Operating Lease Commitments

As at 30 June 2017, the Group had operating lease commitments of approximately RMB46,875,000 (31 December 2016: approximately RMB49,117,000).

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities (30 June 2016: Nil).

Capital Commitments

As at 30 June 2017, the Group had capital commitments of approximately RMB69,988,000 (31 December 2016: approximately RMB74,681,000), which mainly comprised construction in process and purchase of fixed assets.

Human Resources

As at 30 June 2017, the Group had 612 employees. Staff costs, including directors' emoluments, totalled approximately RMB14,790,000 (30 June 2016: approximately RMB12,369,000) during the Review Period. All of the Group's companies are equal opportunity employers, with the selection, promotion and emoluments of individuals based on their suitability for the positions offered. The Group operates a defined contribution mandatory provident fund as retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

* For identification purpose only





Interim Financial Report



The Board of Directors (the “Board”) of China Putian Food Holding Limited (the “Company”) is pleased to present the unaudited condensed interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 with comparative figures for the corresponding period of 30 June 2016. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audited Committee.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		Six months end 30 June	
		2017	2016
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	247,144	316,768
Cost of sales		(200,684)	(247,569)
Gross profit		46,460	69,199
Other income and losses	5	380	429
(Loss)/gain arising from change in fair value less costs to sell of biological assets	12	(5,673)	12,777
Selling and distribution expenses		(15,087)	(12,576)
Administrative expenses		(18,121)	(25,083)
Finance costs	6	(23,164)	(23,553)
Gain arising from fair value change of derivative financial liabilities		24,147	—
Profit before taxation		8,942	21,193
Taxation	7	—	—
Profit for the period	8	8,942	21,193
Other comprehensive income/(loss) for the period, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		7,373	(3,778)
Other comprehensive income/(loss) for the period, net of income tax		7,373	(3,778)
Total comprehensive income for the period		16,315	17,415
Profit for the period attributable to the owners of the Company		8,942	21,193
Total comprehensive income for the period attributable to the owners of the Company		16,315	17,415
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	10	0.56	1.32





Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	583,481	562,851
Prepaid lease payments		83,196	85,385
Biological assets	12	24,148	7,725
Deposits paid for property, plant and equipment		12,728	12,719
		703,553	668,680
Current assets			
Inventories		52,565	61,259
Biological assets	12	77,842	83,518
Trade receivables	13	101,410	102,269
Deposits paid, prepayments and other receivables	14	82,288	88,094
Prepaid lease payments		4,378	4,378
Pledged bank deposits		8,565	8,505
Cash and bank balances		7,551	13,088
		334,599	361,111
Current liabilities			
Trade and bills payables	15	38,644	34,009
Accruals, deposits received and other payables	16	18,110	17,906
Borrowings	18	242,708	245,071
Derivative financial liability	19	13,416	38,547
Amount due to a shareholder		5,832	—
Bank overdrafts		4,563	4,413
Deferred revenue		253	253
		323,526	340,199
Net current assets		11,073	20,912
Total assets less current liabilities		714,626	689,592



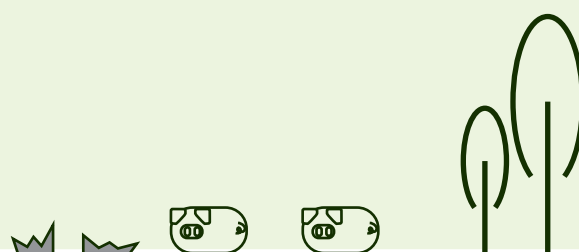


Condensed Consolidated Statement of Financial Position (Continued)



As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-current liabilities			
Convertible bonds	19	94,776	85,931
Deferred revenue		2,808	2,934
		97,584	88,865
Net assets		617,042	600,727
Equity			
Share capital	17	65,178	65,178
Share premium and reserves		551,864	535,549
Total equity		617,042	600,727





Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Convertible bonds equity reserve RMB'000	Share options reserve RMB'000	Warrants reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	65,178	18,586	(2,846)	61,094	32,212	16,683	12,758	53,015	335,829	592,509
Profit for the period	—	—	—	—	—	—	—	—	21,193	21,193
Other comprehensive loss for the period	—	—	(3,778)	—	—	—	—	—	—	(3,778)
Total comprehensive income for the period	—	—	(3,778)	—	—	—	—	—	21,193	17,415
Share option reserve	—	—	—	—	—	4,155	—	—	—	4,155
Transfer to statutory reserve	—	—	—	4,290	—	—	—	—	(4,290)	—
Grant of share option	—	—	—	—	—	—	—	—	—	—
As at 30 June 2016 (Unaudited)	65,178	18,586	(6,624)	65,384	32,212	20,838	12,758	53,015	352,732	614,079
As at 1 January 2017 (Audited)	65,178	18,586	(18,650)	67,757	—	25,731	12,758	53,015	376,352	600,727
Profit for the period	—	—	—	—	—	—	—	—	8,942	8,942
Other comprehensive income for the period	—	—	7,373	—	—	—	—	—	—	7,373
Total comprehensive income for the period	—	—	7,373	—	—	—	—	—	8,942	16,315
Transfer to statutory reserve	—	—	—	1,988	—	—	—	—	(1,988)	—
As at 30 June 2017 (Unaudited)	65,178	18,586	(11,277)	69,745	—	25,731	12,758	53,015	383,306	617,042



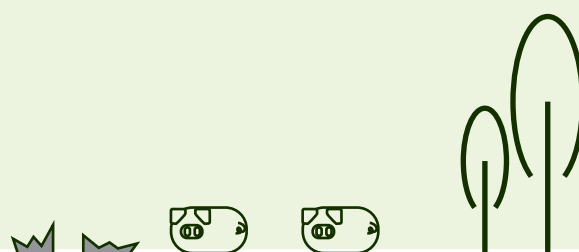


Condensed Consolidated Statement of Cash Flows



For the six months ended 30 June 2017

	Six months end 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Net cash generated from operating activities	51,288	15,103
Investing activities		
Interest received	2	—
Deposits paid for property, plant and equipment	(10)	2,000
Acquisition of a subsidiary	(17,742)	—
Purchases of prepaid lease payment	—	941
Purchase of property, plant and equipment	(28,804)	(471)
Net cash (used in)/generated from investing activities	(46,554)	2,470
Financing activities		
Interest paid	(9,997)	(12,724)
Proceeds from bank borrowings	120,000	38,000
Repayments of bank borrowings	(120,000)	(28,000)
Increase in pledged bank deposits	(60)	(318)
Net cash used in financing activities	(10,057)	(3,042)
Net (decrease)/increase in cash and cash equivalents	(5,323)	14,531
Cash and cash equivalents at beginning of the period	8,675	1,082
Effect of foreign exchange rate changes	(364)	(4)
Cash and cash equivalents at end of the period	2,988	15,609
Cash and cash equivalents at end of the period		
Cash and bank balances	7,551	19,871
Bank overdrafts	(4,563)	(4,262)
	2,988	15,609





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial information is unaudited but have been reviewed by the audit committee of the Company.

2. Significant Accounting Policies

The adoption of these amendments to HKFRSs has no material impact on the Group’s result and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

HKFRS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs in the current interim period 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 these consolidated financial statements.

3. Segment Information

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

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





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

4. 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.

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue from		
– Retail of pork	141,831	174,366
– Wholesale of pork	96,281	121,016
– Retail of frozen pork	6,801	9,675
– Wholesale of commodity hogs	2,231	11,711
	247,144	316,768

5. Other Income and Losses

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest income on:		
– Bank deposits	2	–
– Amortisation of deferred revenue	127	127
Total interest income	129	127
Gain on disposal of hog droppings	31	81
Gain on disposal of biological assets	222	210
Gain on bargaining purchase	188	–
Government grants (Note)	–	11
Sundry expenses	(190)	–
	380	429

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





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

6. Finance Costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
— Borrowings wholly repayable within five years	4,367	3,575
— Bank overdrafts wholly repayable within five years	85	—
— Imputed interest charged on convertible bonds (Note 19)	18,712	19,978
	23,164	23,553

7. Taxation

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before taxation	8,942	21,193
Tax at the applicable income tax rate	2,281	7,273
Tax exemption for subsidiary operating in the PRC	(2,369)	(11,105)
Tax effect of expenses not deductible for tax purpose	3,210	3,251
Tax effect of income not taxable for tax purpose	(3,357)	—
Tax effect of tax loss not recognised	235	581
Income tax expenses	—	—

Notes:

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2017. No provision for Hong Kong profits tax for the six months ended 30 June 2016 had been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the six months ended 30 June 2016.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

7. Taxation (Continued)

Notes: (Continued)

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.

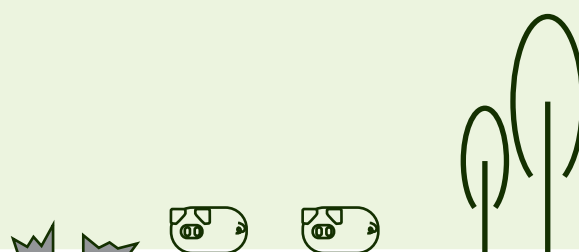
Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得稅優惠政策的農產品初加工範圍(試行)(2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總局) on 20 November 2008. Tianyi (Fujian) Modern Agriculture Development Co., Ltd, Putian (Beijing) Food Limited, Putian Hebei Farming Development Corporation Limited and 莆田市鄉里香黑豬開發有限公司 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, Putian Hebei Farming Development Corporation Limited and 莆田市鄉里香黑豬開發有限公司 operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the six months ended 30 June 2017.

8. Profit for the Period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs including directors' emoluments		
Salaries and other emoluments	13,990	11,590
Retirement scheme contributions	800	779
Total staff costs	14,790	12,369
Depreciation of property, plant and equipment	12,006	9,313
Amortisation of prepaid lease payments	2,189	2,023
Total depreciation and amortisation	14,195	11,336





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

9. Dividends

The directors of the company do not recommend the payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. Earnings Per Share Attributable to Owners of the Company

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	8,942	21,193

	Six months ended 30 June	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,600,000	1,600,000

For the six months ended 30 June 2017 and 2016, diluted profit per share is the same as basis per share as there is no potential ordinary share in issue.

11. Movement in Property, Plant and Equipment

During the period, the Group acquired buildings, plant and machinery, office equipment, motor vehicles and construction in progress of approximately RMB2,391,000 (2016: RMB13,005,000), RMB8,105,000 (2016: RMB1,616,000), RMB49,000 (2016: RMB114,000), RMB20,000 (2016: Nil) and RMB22,071,000 (2016: RMB49,672,000) respectively.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



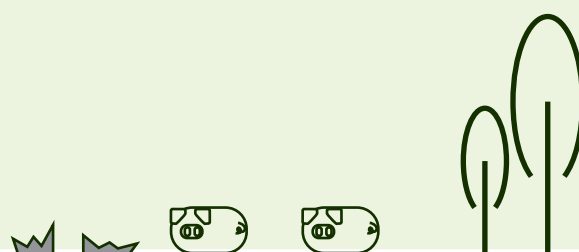
For the six months ended 30 June 2017

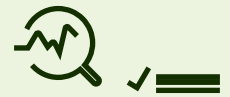
12. Biological Assets

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	Commodity hogs RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	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 and 1 January 2017 (Audited)	7,725	83,518	91,243
Increase due to purchases	16,003	124,929	140,932
Increase due to raising (Feeding cost and others)	3,148	68,215	71,363
Transfer	(6,837)	6,837	—
Decrease due to retirement and deaths	(1,981)	(2,739)	(4,720)
Decrease due to sales	(1,856)	(189,299)	(191,155)
Change in fair value less costs to sell	7,946	(13,619)	(5,673)
As at 30 June 2017 (Unaudited)	24,148	77,842	101,990

Note: The Group's biological assets as at 30 June 2017 and 31 December 2016 have been arrived at on the basis of a valuation carried out by Assets Appraisal Limited (the "Valuer"). Given the nature of the biological assets where market determined prices are available, the fair values less costs to sell have been determined by the market approach based on the market-determined prices as at 30 June 2017 and 31 December 2016 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The loss arising from changes in fair value less costs to sell of biological assets of approximately RMB5,673,000 (gain recognised for the six months ended 30 June 2016: approximately RMB12,777,000) has been recognised directly in profit or loss for the six months ended 30 June 2017.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

13. Trade Receivables

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables	101,410	102,269

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 each period is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 30 days	40,854	62,974
31 to 90 days	60,556	39,295
91 to 180 days	—	—
	101,410	102,269

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
91 to 180 days	—	—

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





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

14. Deposits Paid, Prepayments and Other Receivables

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Other receivables	1,315	774
Other deposits paid and prepayments	80,973	87,320
	82,288	88,094

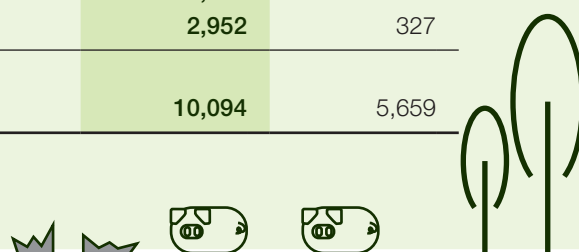
15. Trade and Bills Payables

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables	10,094	5,659
Bills payables (Note)	28,550	28,350
	38,644	34,009

Note: The Group's has pledged bank deposits of approximately RMB8,565,000 to secure bills payables as at 30 June 2017 (2016: approximately RMB8,505,000)

The ageing analysis of trade payables is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 30 days	3,821	4,793
31 to 90 days	3,321	593
91 to 180 days	2,952	327
	10,094	5,659





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

15. Trade and Bills Payables (Continued)

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 (2016: twelve months) from the end of the reporting period.

16. Accruals, Deposits Received and Other Payables

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deposits received	1,569	2,471
Other payables for property, plant and equipment	6,542	2,295
Accruals and other payables	9,999	13,140
	18,110	17,906

17. Share Capital

Ordinary shares

	Number of shares	Nominal value of ordinary shares HK\$'000 (Unaudited)	Total RMB'000 (Unaudited)
Authorised:			
At 1 January and 30 June 2017 ordinary shares of HK\$0.05 each	80,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
At 1 January and 30 June 2017 ordinary shares of HK\$0.05 each	1,600,000,000	80,000	65,178





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

18. Borrowings

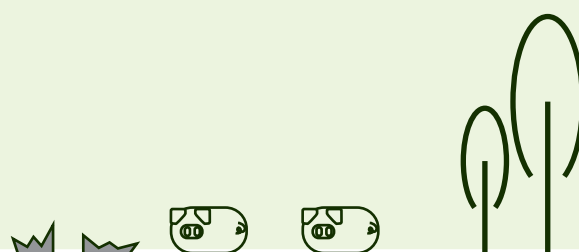
	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Borrowings — secured	242,708	245,071

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Carrying amount repayable: On demand or within one year	242,708	245,071

Borrowings at:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
— floating interest rate	150,000	150,000
— fixed interest rate	92,708	95,071
	242,708	245,071

The borrowings were denominated in RMB and Hong Kong dollars. The borrowing of approximately RMB 92,708,000 was denominated in Hong Kong dollars for the six months ended 30 June 2017.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

18. Borrowings (Continued)

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

	2017 % (Unaudited)	2016 % (Audited)
Floating rate	4.79–5.00	4.79
Fixed rate	6.00	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”) in respect of, among the others, the issue of the non-convertible note (“Note”) in the principal amount of HK\$110,000,000 equivalent to approximately RMB92,708,000 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.

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Note	92,708	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 30 June 2017, the obligations of the Company in relation to the Note of approximately RMB92,708,000 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.

As at 30 June 2017, 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, with a total carrying value of approximately RMB112,262,000 (31 December 2016: approximately RMB135,969,000).





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

19. Convertible Bonds/Derivative Financial Liability

On 28 September 2016, the Company and Vandi Investment Limited (the “Investor”) and Mr. Cai Chenyang (“Mr. Cai”), the chairman of the Board and the sole shareholder of Zhan Rui (as defined below) entered into the Subscription Agreement in respect of, among the others, 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.

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 would be adjusted to HK\$0.44. The conversion price was adjusted to HK\$0.44 on 10 August 2017. 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 30 June 2017, 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 as follows:

- (a) liability component is measured at fair value amounted to approximately HK\$112,243,000 equivalent to approximately RMB97,378,000, 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 measured at fair value, amounted to approximately HK\$15,463,000 equivalent to approximately RMB13,416,000 which is presented in current liabilities as derivative financial liability.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

19. 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 2016	155,500	—	32,212	187,712
Convertible Bonds 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	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 (Audited)	85,931	38,547	—	124,478
Imputed interest charged	18,712	—	—	18,712
Interest paid for the period	(3,299)	—	—	(3,299)
Change in fair value of convertible bonds	—	(24,147)	—	(24,147)
Exchange alignment	(6,568)	(984)	—	(7,552)
As at 30 June 2017 (Unaudited)	94,776	13,416	—	108,192

On 13 October 2016, Zhan Rui Investments Limited (“Zhan Rui”) and Mr. Cai executed a deed of share charge (the “New Share Charge Deed”) in favour of the Investor pursuant to which (i) Zhan Rui shall charge by way of fixed charge all its right, title and interest from time to time in and to the 816,000,000 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, owing 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 Subscription Agreement, the bond instrument constituting the Convertible Bond due 2018, the note instrument constituting the Note and the New Share Charge Deed.

As at 31 December 2016 and 30 June 2017, the obligations of the Company in relation to the Convertible Bond due 2018 of RMB108,192,000 (2016: RMB124,478,000) were secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

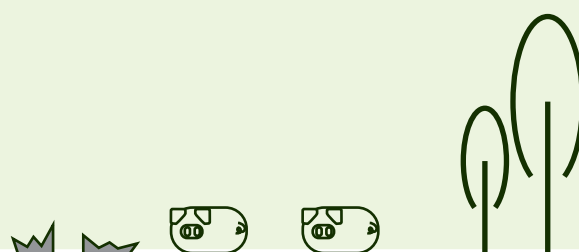
20. Fair Value Measurement of Financial Instrument

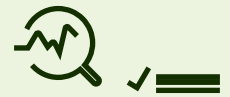
Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Type	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2017 (RMB'000)	31 December 2016 (RMB'000)		
Biological assets				
Breeder hogs and commodity hogs	101,990	91,243	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
Financial liability				
Derivative financial liability	13,416	38,547	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

The Directors consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated interim financial statements approximate their fair values.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

21. 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. 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 (i.e. 160,000,000 Shares which represent 10% of the issued share capital as at the date of this report). 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 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.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

21. Share Option Scheme (Continued)

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

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

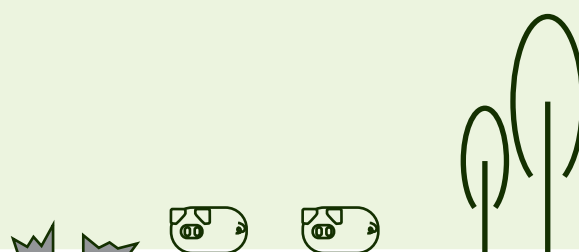
To accept an option, the grantee of the option shall remit in favour of the Company of HK\$1.00 as consideration for the grant and return to the Company the duplicate of the letter granting the option comprising the acceptance of the option duly signed by the grantee before 5:00 p.m. on the 20th business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

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

The exercise price for an option 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 30 June 2017, 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).





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

21. Share Option Scheme (Continued)

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

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

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

Grantee	Exercise period	Exercise price per shares (adjusted by Share Subdivision on 2 July 2015) (HK\$)	Balance as at 31 December 2016 and 1 January 2017 ('000)	Lapsed during the period ('000)	Exercised during the period ('000)	Cancelled during the period ('000)	Balance
							as at 30 June 2017 ('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
– 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	10,300	–	–	–	10,300
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	16,020	–	–	–	16,020
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	17,660	–	–	–	17,660
			120,840	–	–	–	120,840

Notes:

- The share options were vested upon granted and recognised equity-settled share-based payment expense over vesting period.
- The exercise price of the Share Options was subject to adjustments in the case of capitalization of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Group.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

21. 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.

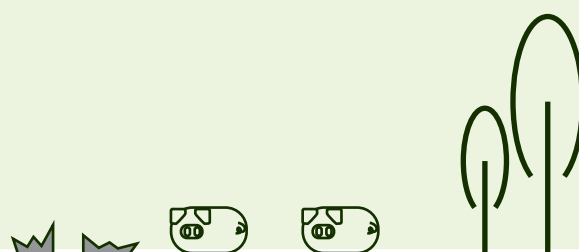
The value of the share options calculated using the binomial model is subject to the fundamental limitations of the model and the uncertainties of those significant assumptions and inputs. Any change to those assumptions and inputs may result in changes in the fair value of the share options.

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:

- 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.
- Volatility represents annualized standard deviation of the weekly return of stock price of GCHE.rm, 600975.ch and 002505.ch.
- Risk free rate represents the yields to maturity of respective HKD Hong Kong Sovereign Curve.
- The exercise multiple defines the early exercise strategy by assuming that early exercise happens when the stock price is the certain multiple of the exercise price.





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

22. Capital Commitments

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Capital expenditure contracted but not provide for in respect of acquisition of property, plant and equipment	69,988	74,681

23. Operating Lease Commitments

The Group as lessee:

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within one year	3,729	4,614
In the second to fifth years, inclusive	3,979	5,336
After five years	39,167	39,167
	46,875	49,117

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





Notes to the Condensed Consolidated Interim Financial Statements (Continued)



For the six months ended 30 June 2017

24. Acquisition of a Subsidiary

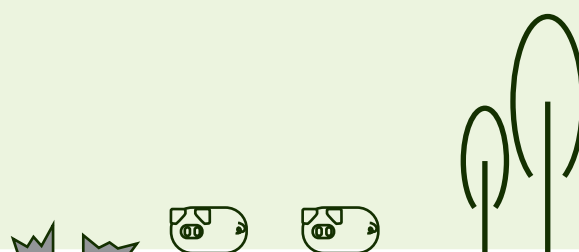
On 7 December 2016, the Group entered into a sale and purchase agreement to acquire 100% equity interest of the Target Company through its indirect wholly-owned subsidiary Tianyi at a consideration of RMB28,000,000 (equivalent to approximately HK\$31,500,000). After the completion of the registration of transfer of the equity interest of the Target Company to Tianyi on 20 February 2017, the Target Company became an indirect wholly owned subsidiary of the Company. The details of the acquisition are summarised in the Company's announcement dated 7 December 2016.

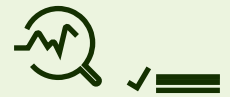
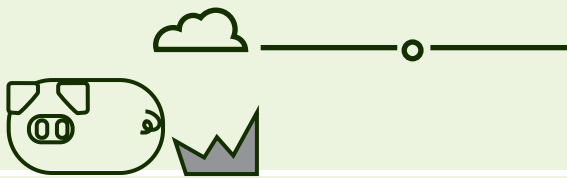
Details of the purchase consideration, the net assets acquired are as follows:

	RMB'000
Purchase consideration:	
— Consideration paid by cash included in prepayment, deposits and other receivables as at 31 December 2016	10,000
— Consideration paid in cash	18,000
Total purchase consideration	28,000

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	3,814
Biological assets	19,001
Inventories	184
Cash and cash equivalents	258
Trade receivables	2,678
Prepayments and other receivables	5,094
Trade payables	(1,839)
Accruals and other payables	(1,002)
Net identified assets acquired	28,188
Gain on bargaining purchase	(188)
	28,000





Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

24. Acquisition of a Subsidiary (Continued)

Acquisition-related costs of RMB57,000 are included in administrative expenses in profit or loss.

The acquired business contributed revenues of RMB5,917,000 and net profit of RMB9,922,000 to the Group for the period from 20 February 2017 to 30 June 2017. If the acquisition had occurred on 1 January 2017, consolidated revenue and consolidated profit after tax for the six months ended 30 June 2017 would have been RMB6,999,000 and RMB9,679,000 respectively.

	RMB'000
Net cash outflow arising on acquisition	
Consideration paid in cash	(18,000)
Less: Cash and cash equivalents acquired	258
	(17,742)

25. Approval of the Interim Financial Statements

The condensed consolidated interim financial information were approved and authorized for issue by the Board of Directors of the Company on 29 August 2017.





Other Information

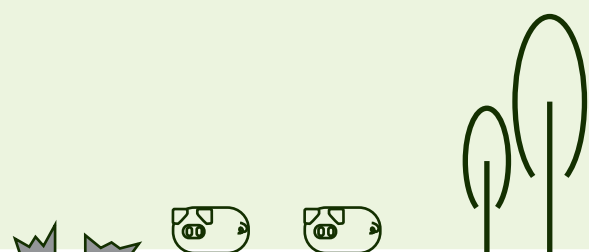


Covenants Relating to Specific Performance of the Controlling Shareholder

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.

Share Charge by the Controlling Shareholder

On 13 October 2016, Zhan Rui and Mr. Cai, the controlling shareholders of the Company, entered into a deed of share charge (the "New Share Charge Deed") in favour of Vandri Investments Limited (the "Investor"), pursuant to which (i) Zhan Rui shall charge 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, owing 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.





Other Information (Continued)

Disclosure of Interests

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

As at 30 June 2017, the interests and short positions of the directors and chief executive in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register of interest required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules ("Model Code") were as follows:

Long position in the shares and underlying shares of the Company

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

Notes:

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

Short position in the shares and underlying shares of the Company

Name	Nature of interest	Number of shares/ underlying shares of the Company held	Approximate percentage of the issued share of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation	888,440,000	55.53%

Note:

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





Other Information (Continued)



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	Beneficial owner	1,000	100%

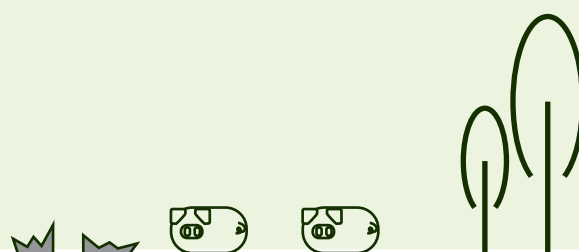
Save as disclosed above, as at 30 June 2017, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the 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.

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

As at 30 June 2017, the interest or short position of the persons (other than the directors or chief executive of the Company) in shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares/underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (Note 1)	Beneficial owner	888,440,000	55.53%
Mr. Sze Ching Lau	Beneficial owner	100,476,000	6.28%
Mr. Song Tieming	Beneficial owner	90,256,000	5.64%
China Construction Bank Corporation (Note 2)	Interest of controlled corporation/ security interest in shares	1,088,727,723	68.05%
Central Huijin Investment Ltd. (Note 3)	Interest of controlled corporation/ security interest in shares	1,088,727,273	68.05%





Other Information (Continued)

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	55.53%

Note:

- (1) Zhan Rui is deemed to have a short position of 816,000,000 shares of the Company which has been 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.

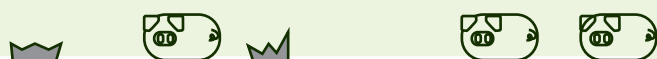
Save as disclosed above, as at 30 June 2017, no person (other than the directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Corporate Governance Practices

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, during the six months ended 30 June 2017, complied with all applicable code provisions of the Code.





Other Information (Continued)



Code A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Chenyang is the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of chairman and chief executive director is beneficial to the business prospect of the Group.

Compliance with the Model Code

The Company has adopted the code provisions of the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry with all the directors of the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2017.

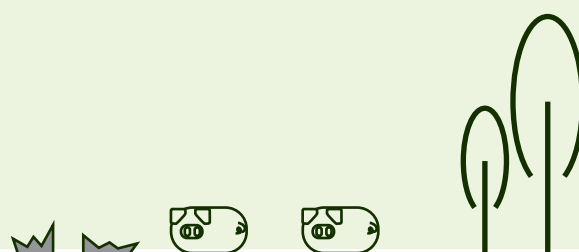
Audit Committee

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

The Audit Committee had reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017, including the accounting principles adopted by the Group, and took the view that the Company was in full compliance with all applicable accounting standards and regulations and adequate disclosures had been made.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") which had become effective upon the commencement of dealings of the shares of the Company (the "Shares") on the Stock Exchange on 13 July 2012. On 31 March 2015, the Company granted shares option to subscribe for 80,000,000 shares with par value of HK\$0.1 each (i.e. 160,000,000 shares with par value of HK\$0.05 each after the subdivision of each share in the Company of par value of HK\$0.1 each into 2 shares of par value of HK\$0.05 each on 2 July 2015 (the "Share Subdivision") under the Share Option Scheme of which options to subscribe for 79,840,000 shares with par value of HK\$0.1 each (i.e. 159,680,000 shares with par value of HK\$0.05 each after adjustment as a result of the Share Subdivision) were accepted by the grantees. The exercise price of those share options is HK\$0.595 per share with par value of HK\$0.05 each after adjustment as a result of the Share Subdivision. The closing price of the share (with par value of HK\$0.1 each) immediately before the date of grant is HK\$1.16 (i.e. HK\$0.58 after adjustment as a result of the Share Subdivision).





Other Information (Continued)

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

Grantee	Date of grant	Exercise period	Exercise price per share (adjusted by Share Subdivision on 2 July 2015) (HK\$)	Balance as at 31 December 2016 and 1 January 2017 ('000)	Lapsed/ cancelled during the period ('000)	Exercised during the period ('000)	Balance as at 30 June 2017 ('000)
Executive Directors							
— Mr. Cai Chenyang	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	21,000	—	—	21,000
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	24,960	—	—	24,960
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	26,480	—	—	26,480
— Mr. Cai Haifang	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,220	—	—	1,220
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	—	—	1,600
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	—	—	1,600
Employees of the Group	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	10,300	—	—	10,300
	31 March 2015	(2) 31 Dec 2016 to 30 Mar 2025	0.595	16,020	—	—	16,020
	31 March 2015	(3) 31 Dec 2017 to 30 Mar 2025	0.595	17,660	—	—	17,660
				120,840	—	—	120,840

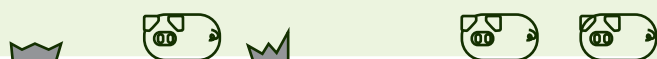
Notes:

- No share options were granted during the period under review.
- Share options granted are vested at the commencement of the relevant exercise period of such share options.
- The exercise price of the share options was subject to adjustments in the case of capitalization of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Group.

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

Purpose of the Share Option Scheme

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





Other Information (Continued)



Participants of the Share Option Scheme

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

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

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

Maximum entitlement of each Participant

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

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

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

Payment on acceptance of option offer

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

Basis of determining the exercise price

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





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