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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號：1699

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

領先的垂直一體化豬肉供應商
Leading Vertically Integrated Pork Products Supplier

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Cheng Lian
Mr. Cai Zhiwei

Independent Non-executive Directors

Mr. Xue Chaochao
Mr. Cai Zirong
Mr. Wang Aiguo

AUDIT COMMITTEE

Mr. Xue Chaochao *(Committee Chairman)*
Mr. Cai Zirong
Mr. Wang Aiguo

REMUNERATION COMMITTEE

Mr. Cai Zirong *(Committee Chairman)*
Mr. Xue Chaochao
Mr. Wang Aiguo

NOMINATION COMMITTEE

Mr. Wang Aiguo *(Committee Chairman)*
Mr. Xue Chaochao
Mr. Cai Zirong

COMPANY SECRETARY

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

LEGAL ADVISOR

Ince & Co

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKER

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.putian.com.hk

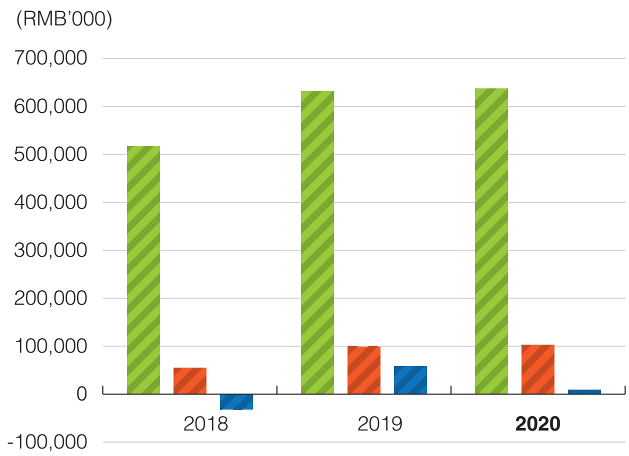
STOCK CODE

1699

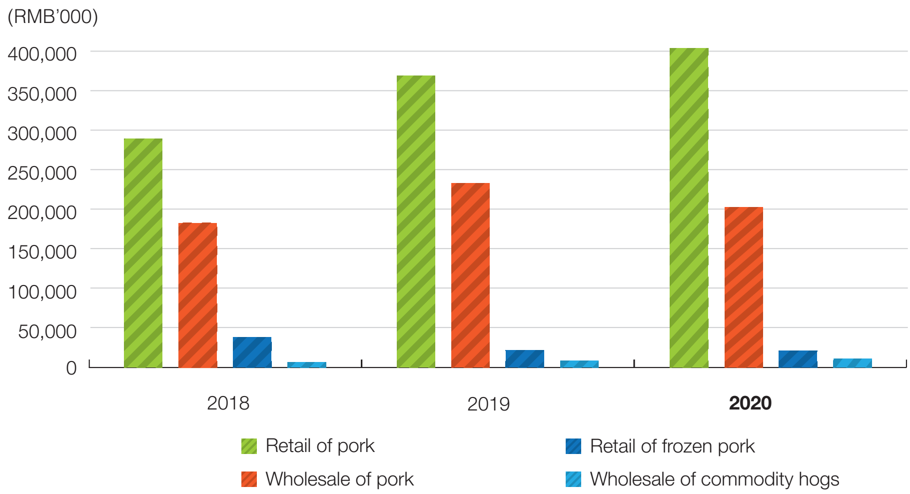
Financial Highlights

	Year 2018 RMB'000	Year 2019 RMB'000	**Year 2020 RMB'000**
Revenue	517,257	632,271	**636,715**
Gross profit	54,736	99,140	**102,493**
Net profit/(loss)	(32,128)	57,997	**7,510**
Revenue by products			
— Retail of pork	289,290	368,870	**402,537**
— Wholesale of pork	182,753	232,818	**202,316**
— Retail of frozen pork	38,507	21,833	**20,866**
— Wholesale of commodity hogs	6,707	8,750	**10,996**

REVENUE, GROSS PROFIT AND NET (LOSS)/PROFIT



REVENUE BY PRODUCTS



Financial Highlights (continued)

KEY PERFORMANCE INDICATORS

	Year 2018	Year 2019	Year 2020
Gross profit margin (%)	10.6	15.7	**16.1**
Net (loss)/profit margin (%)	(6.2)	9.2	**1.2**
Gearing ratio (%) (Note 1)	73.8	64.3	**55.9**
Current ratio (times) (Note 2)	1.0	1.0	**1.1**
Quick ratio (times) (Note 3)	0.9	0.9	**0.9**
(Loss)/earnings per share ratio (Note 4)	RMB (1.93) cents per share	RMB 3.07 cents per share	**RMB0.40 cents per share**

Note 1: Gearing ratio was calculated by dividing interest-bearing borrowings, amount due to a shareholder, bank overdrafts, obligation under finance lease and convertible bonds by the total equity of the Group as at the end of the year.

Note 2: Current ratio represents total current assets divided by total current liabilities as of the end of the year.

Note 3: Quick ratio represents total current assets less inventories divided by total current liabilities as of the end of the year.

Note 4: (Loss)/earnings per share ratio represents the (loss)/earnings attributable to the owners of the Company divided by the weighted average number of ordinary shares.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Putian Food Holding Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 (the "Reporting Period").

INDUSTRY AND BUSINESS REVIEW

In 2020, the whole world was affected by the COVID-19 pandemic, and many economies were severely hit. In China, all walks of life were challenged by the pandemic. Fortunately, the whole country worked together to fight against the epidemic, brought the epidemic under control, and the economy bounced back. The gross domestic product (GDP) of China in 2020 was RMB101.6 trillion, recording the one-hundred trillion mark for the first time, representing an increase of approximately 2.1% over the last year. In 2020, China's value-added industrial output above designated size increased by 1.2%, with stable performance. In December 2020, the actual growth rate was 7.3 percent, representing an increase of 0.3 percentage point over November, indicating that the economy had strong momentum.

The total retail sales of consumer goods for the year decreased by 3.9% over the last year, however, the grain, oil and foodstuffs showed an increasing trend, representing an increase of 9.9% over the last year to RMB1,528.3 billion. It showed that China's economic structure has gradually been stable, and the domestic market still has potential.

Taking a macro view of the domestic pork market, we would see that part of the catering industry has closed down due to the epidemic, and the supply and demand of pork has been affected to a certain extent. Fortunately, China's takeout service industry is quite developed, and people have a high demand for food in the early stage of the epidemic, therefore, the pork market price remains high, indicating the promising prospects of China's pork market.

Chairman's Statement (continued)

In the face of the global outbreak of the epidemic, we adopted stricter cleaning and disinfection procedures, and ensured that our production sites, facilities, farms and offices met the highest standards of hygiene, to guarantee the production of the best quality and safe products.

As consumers pose increasingly high demand for high-end food ingredients, we remain confident in the prospects of the high-end pork market in China. We continue to adopt the "White to Black" initiative. In 2021, we will continue to step up efforts in promoting our products under "Putian Black Pearl". Currently, the Group's black hog products are available for sale in Beijing, Fujian, Hebei and other places. During the Reporting Period, sales revenue from "Putian Black Pearl" products accounted for 29% of the total revenue. Due to our effective marketing and promotion strategies, sales of black hog products in Beijing and Putian, Fujian stood out from other regions, with satisfactory sales.

Generally, in 2020, the Group's pork retail business generated revenue of approximately RMB402,537,000 (2019: approximately RMB368,870,000), accounting for 63.2% of the Group's total revenue (2019: 58.3%), which is the largest contributor among all businesses of the Group and the main source of revenue of the Group. Combing directly operated stores with supermarket networks, we collaborated with well-known supermarkets and chain supermarkets in China. In 2020, new retail points in Beijing and Fujian were added to our retail network. As at 31 December 2020, the Group's sales network consisted of 83 retail counters in supermarkets and 11 direct retail outlets. Our retail counters are set in supermarkets and department stores with regional influence, such as Beijing New World Department Store, Beijing C.P. Lotus, Fujian New Huadu, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart, CSF Market, Carrefour, Hualian, etc. The Group's network covers the eastern coastal area of Fujian, including Fuzhou, Putian, Quanzhou, Xiamen and Zhangzhou, and has also achieved remarkable results in Beijing.

During the Reporting Period, the wholesale of commodity hogs business generated a respectable revenue of approximately RMB10,996,000, increasing as compared with 2019 of approximately RMB8,750,000. It was mainly due to the Group's marketing strategy in 2020 that when the pork price is high, reduce the frozen pork in storage, to achieve marketing fresh.

"Creating gratifying life for the general public" is the mission of the Group that it has upheld since its incorporation. The Group understands the importance of food safety and product quality and has always adopted the strictest product quality control standards in the whole industrial chain from breeding, slaughtering, packaging and sales. We have created a vertically integrated business mode and established a trusted Putian brand. Currently, positioned as a protector and integrated operator of native pig breeds of China, the Group is committed to the protection and development of native pig breeds of China upon approval by the National Commission for the Livestock and Poultry Genetic Resources. For recent years, the Group has focused on the high-end pork market and provision of black pork products with the establishment and promotion of the brand "Putian Black Pearl". In 2020, the Group continued to adopt the strategy of parallel development of farms in Hebei and Fujian, and "White plus Black" initiative, seeing stable output rate of white hog and fortifying black hog breeding bases. The farm located in Xuanhua, Hebei maintained capacity utilization rate comparable to that of last year in terms of black hogs slaughtered. The two farms, Shiti and Xianglixiang, in Putian, Fujian increased to 14,534 hogs, realizing growth in capacity utilization rate.

Chairman's Statement (continued)

PROSPECTS

In 2020, the whole nation united to fight against the severe COVID-19 pandemic. We believe that the toughest time is over. As the number of people vaccinated continues to rise and expand to all provinces and cities across the country, people's lives and economic activities will get back to orderly development. The key routes of internal economic circulation and consumption upgrading are expected to remain.

Port market, under the background of the COVID-19 pandemic, has highlighted its position of rigid demand in the domestic food market. Seen from the current trend, domestic pork demand is stable and the pork price is stable with rising trend. However, it is worthy of keeping an eye on the sporadic occurrence of swine fever in various places by maintaining the breeding bases clean, protecting the health and safety of pigs, and avoiding another large-scale outbreak of swine fever.

In the coming year, the hygiene and health standards of the breeding bases will be the priority of the Group's work. After the outbreak of African Swine Fever in 2018 and the COVID-19 pandemic in 2020, the staff of the Group's farms have been equipped with more professional breeding skills and disinfection facilities. Facing the uncertainties in the future, the Group is confident to continue to produce quality and healthy pork products.

On the other hand, with the continuous recovery of life and economic activities in China after the COVID-19 epidemic, the demand for high-end food is piqued. After the epidemic, people are believed to be more willing to pay a slightly higher price to buy safer, healthier and more delicious black pork products. Market trends assure the Group to firmly implement the "White to Black" initiative. I believe that the Group still has great growth potential in terms of brand image and business development in the future. Leveraging correct development strategies and firm development initiatives, the Group will definitely achieve better performance in the next year.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their long-term support and trust to the Group, and to staff of the Group for their unremitting efforts. Looking forward, Putian will make continuous efforts to improve production, sales and management and step up efforts to build the image of the "No. 1 brand of high-end safe pork in China". The Group will continue to uphold the high quality level and promote the sound development of China's pork industry.

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

Hong Kong, 22 June 2021

Management Discussion and Analysis

The national large-scale vertically integrated pork products supply service of the Group ranges from hog farming, hog slaughtering to pork distribution with a well-developed operation model. The Group owns a slaughterhouse in Fujian Province that meets the national “5-star” standard and three hog farms in Xuanhua in Hebei, Shiti (石梯) and Xianglixiang (鄉里香) in Putian, respectively. The major physical sales markets of the Group are Fujian and Beijing. The main pork products of the Group include chilled whole hog carcasses, separated pork, frozen pork (for retail), and by-products of internal organs, etc. The Group intends to focus on the development of black hog products in the future.

INDUSTRY REVIEW

Since the outbreak of COVID-19 in late 2019, the overall industry sales performance has declined significantly in the first quarter of 2020 (“Q1”) due to the severe disruption to industry businesses in China and other regions caused by the subsequent outbreak control and other quarantine measures. However, thanks to the Chinese government’s implementation of strict pandemic prevention and control measures to bring the pandemic under control in China, production and other economic activities in China resumed rapidly in the second quarter of 2020 (“Q2”), leading to a gradual recovery of the domestic economy and a return to sound growth in Q2. Despite the fact that China’s economy shrank sharply in Q1 by 6.8% in terms of GDP on an annualised basis, the economy rebounded beyond expectation in Q2 with 3.2% GDP growth. Given that the spread of COVID-19 has plunged the global economy into a severe recession, the continuing growth of China’s GDP in the third and fourth quarters of 2020 reflects a strong momentum for economic growth.

Driven by domestic demand, the focus on China’s economic development continued to shift from quantity to quality. China’s GDP in 2020 still recorded RMB101.6 trillion. In terms of industry, according to the data released by the National Bureau of Statistics of China (NBS), grain production in 2020 had another bumper harvest, with the total grain output reaching 1.339 trillion jin (斤), representing an increase of 11.3 billion jin (斤) or 0.9% over last year. The output has remained above 1.3 trillion jin (斤) for six consecutive years, indicating a continuous increase in people’s consumption demand.

The demand for pork in China remains stable, but the supply chain and logistics have been affected by the pandemic, resulting in supply falling short of demand, which led to a continuous rise in pork price. As the Chinese Central Government further strengthened the animal pandemic prevention measures by September 2020, the number of live hogs ready for slaughter in China has increased for nine consecutive months. The supply of live hogs has increased significantly, and the price of pork has decreased moderately.

After the outbreak of African Swine Fever, the State Council of the People's Republic of China issued the "*Opinions on Stabilizing Live Hogs Production and Promoting Transformation and Upgrading*" (國務院辦公廳關於穩定生豬生產促進轉型升級的意見) to promote the transformation and upgrading of live hogs production, and to focus on high-quality development and ensure the stability of supply in the pork market. The live hogs industry eliminates the weak and keeps the strong; thus, large-scale enterprises are more competitive in the industry. Furthermore, with the increase of the domestic population's average income, the continuous improvement in living quality, the growth of domestic demand and the upgrading of consumption structure, consumers have gradually improved their awareness of high-end pork products in recent years, and tend to have more confidence in branded and safe pork. As a result, the demand for branded pork continues to rise, further expanding the market share of domestic black pork.

BUSINESS REVIEW

For the Reporting Period, the Group recorded a revenue of approximately RMB636,715,000, representing an increase of approximately 0.7% as compared with approximately RMB632,271,000 for the year ended 31 December 2019. The increase in revenue was mainly due to increased selling prices of the products during the Reporting Period. The net profit for the Reporting Period was approximately RMB7,510,000 as compared with net profit of RMB57,997,000 last year. The decrease in net profit was mainly due to the following reasons: (i) decrease in other income and losses; (ii) decrease in gain arising from the change in fair value less costs to sell of biological assets; and (iii) no gain arising from fair value change of derivative financial liability during the Reporting Period.

"Putian Black Pearl", the Group's black hog brand, has continued to develop as planned in a stable manner. The black hog farm in Xuanhua, Hebei has maintained good operation and production conditions. The new hog farms are still at the early stage of introducing boars for reproduction by batches and the quantification stage of producing commodity hogs from boars. As a result, the current capacity utilisation rate is still low. The capacity utilisation rate of farms in Hebei is increasing gradually. Approximately 14,534 black hogs were ready for slaughter in the Shiti and Xianglixiang farms in Putian, Fujian, representing an increase of 2,122 hogs from 12,412 last year. The capacity utilisation rate increased significantly to approximately 52.3%.

For the sales business, the Group added five retail points in supermarkets in Beijing and Fujian to its portfolio during the Reporting Period, including Wu Mart (物美超市), Fuwang Supermarket (福旺超市), Han Guo Xian Sheng (憨果鮮生) and Fresh Food Market (時鮮豐). In addition, sales channels have been further diversified to combine offline supermarkets and distributors, franchisee, VIP and gift companies with e-commerce, which have been actively developed and promoted on new media so as to increase traffic, improve store rankings and to attract consumers at different levels. The market penetration rate of "Putian Black Pearl" and the high-end brand of the Group, were further improved. During the Reporting Period, products under "Putian Black Pearl" were well-accepted in key markets including Fujian and Beijing. The Group's black pork products achieved outstanding sales especially in Fujian and Beijing, due to effective promotion measures, rising income levels of local residents and optimized consumption structure. Revenue derived from the sales of "Putian Black Pearl" contributed to 29% of the total revenue of the Group during the Reporting Period.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

1. Revenue

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

	For the year ended 31 December			
	2020		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue				
Retail of pork	402,537	63.2	368,870	58.3
Wholesale of pork	202,316	31.8	232,818	36.8
Retail of frozen pork	20,866	3.3	21,833	3.5
Wholesale of commodity hogs	10,996	1.7	8,750	1.4
	636,715	100	632,271	100

* Note: the sum of the percentages may not be equal to the total due to rounding.

The total revenue of the Group increased by 0.7% from approximately RMB632,271,000 for the year ended 31 December 2019 to approximately RMB636,715,000 for the year ended 31 December 2020. During the Reporting Period, the increase in revenue was mainly due to the increased selling prices of the products. The Group will continue to implement its new sales strategy in order to further penetrate its products under the brand of "Putian" into the pork market.

Revenue from Retail of Pork

The Group's revenue from the retail of pork increased by around 9.1% from approximately RMB368,870,000 for the year ended 31 December 2019 to approximately RMB402,537,000 for the year ended 31 December 2020. Such change in revenue was mainly because of the increased selling prices of the products during the Reporting Period.

Management Discussion and Analysis (continued)

The Group continued to expand its sales network to improve its retail market share. During the Reporting Period, the Group established five new retail points in the supermarkets, among which three are located in Beijing and two in Fujian, including Wu Mart (物美超市), KuanGuang Supermarket (寬廣超市), Dong Sheng Lian Yi Supermarket (東盛聯億超市) and Yue Lai Yue Hao Supermarket (悅來悅好超市). As at 31 December 2020, the Group had 83 retail counters, mainly in supermarkets and department stores with regional influence over places such as New Huadu, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart, etc. In Beijing, the Group launched retail sales through certain influential counters in supermarkets or department stores such as New World and C.P. Lotus Corporation. The Group had 11 direct sales outlets located in Putian and Fuzhou. Under the impact of the COVID-19 pandemic, commercial channel sales, community store channels and family delivery membership have become the main channels of high-end pork. Therefore, the Group actively developed its online business during the Reporting Period. During the Reporting Period, new e-commerce channels were established, and in particular, sales in Beijing recorded an increase. Through internet advertising campaigns and favorable recommendations among customers, "Putian" brand has gradually gained recognition for being reliable and savory, particularly from high-spending customers, who are highly concerned with their living standards. The management of the Company expects that the revenue from retail of pork can be further increased by leveraging the further expansion of the distribution networks of the "Putian" brand.

Revenue from Wholesale of Pork

For the year ended 31 December 2020, revenue from the wholesale of pork of the Group was approximately RMB202,316,000, representing a decrease of approximately 13.1% as compared to RMB232,818,000 for the year ended 31 December 2019. Such change in revenue was mainly because of the decrease in the sales volume of the products, and the focus of the sales strategy of the Group on retail business during the Reporting Period.

Revenue from Retail of Frozen Pork

Sales revenue from frozen pork products decreased by 4.4% from approximately RMB21,833,000 for the year ended 31 December 2019 to approximately RMB20,866,000 for the year ended 31 December 2020. Our frozen pork products are mainly sold to renowned meat processors in the Fujian Province. Revenue from the retail of frozen pork decreased over the last year, mainly due to the decrease in sales volume of the products during the Reporting Period. Also, the Group decreased its storage of frozen pork when the pork price was high, to ensure freshness.

Revenue from Wholesale of Commodity Hogs

Revenue from wholesale of commodity hogs increased significantly by 25.7% from approximately RMB8,750,000 for the year ended 31 December 2019 to approximately RMB10,996,000 for the year ended 31 December 2020. Such change in revenue was mainly because of the increased selling prices of piglets during the Reporting Period.

Management Discussion and Analysis (continued)

2. Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2020		2019	
	RMB'000	Gross Profit Margin (%)	RMB'000	Gross Profit Margin (%)
Gross Profit and Gross Profit Margin				
Retail of Pork	67,765	16.8	65,407	17.7
Wholesale of pork	27,618	13.7	28,790	12.4
Retail of frozen pork	1,738	8.3	2,600	11.9
Wholesale of commodity hogs	5,372	48.9	2,343	26.8
	102,493	16.1	99,140	15.7

The overall gross profit of the Group increased by approximately 3.4% from approximately RMB99,140,000 for the year ended 31 December 2019 to approximately RMB102,493,000 for the year ended 31 December 2020. The overall gross profit margin of the Group increased from approximately 15.7% for the year ended 31 December 2019 to approximately 16.1% for the year ended 31 December 2020. The gross profit increased slightly, which corresponded to the increase in revenue.

Gross Profit and Gross Profit Margin for the Retail of Pork

Gross profit for the retail of pork increased from approximately RMB65,407,000 for the year ended 31 December 2019 to approximately RMB67,765,000 for the year ended 31 December 2020. The gross profit margin of the retail of pork decreased from approximately 17.7% for the year ended 31 December 2019 to approximately 16.8% for the year ended 31 December 2020. The change in gross profit and gross profit margin of the retail of pork was mainly due to the sales strategy and promotions of the Group being focused on the retail business during the Reporting Period.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

Gross profit for the wholesale of pork decreased from approximately RMB28,790,000 for the year ended 31 December 2019 to approximately RMB27,618,000 for the year ended 31 December 2020. The gross profit margin of the wholesale of pork increased from approximately 12.4% for the year ended 31 December 2019 to approximately 13.7% for the year ended 31 December 2020. The change in gross profit and gross profit margin for the wholesale of pork was due to the decrease in sales volume of the products, and the sales strategy of the Group being focused on the retail business during the Reporting Period.

Management Discussion and Analysis (continued)

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

The frozen food business is relatively new to the Group. Gross profit of frozen pork products decreased from approximately RMB2,600,000 for the year ended 31 December 2019 to approximately RMB1,738,000 for the year ended 31 December 2020. The gross profit margin of frozen pork products decreased from approximately 11.9% for the year ended 31 December 2019 to approximately 8.3% for the year ended 31 December 2020. The change in gross profit and gross profit margin of frozen products was due to the fact that hogs ready for slaughter decreased in amount and the price of pork increased as a result of by African Swine Fever, leading to the sale of fresh pork prevailing the market.

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

For the year ended 31 December 2020, gross profit of wholesale of commodity hogs was approximately RMB5,372,000, representing an increase of approximately 129.3% as compared with approximately RMB2,343,000 for the year ended 31 December 2019. The gross profit margin increased to approximately 48.9% for the year ended 31 December 2020 from approximately 26.8% for the year ended 31 December 2019. The significant increase in gross profit and gross profit margin was due to the Group's sale of mainly piglets, which has a higher selling price and lower farming costs, during the Reporting Period.

3. Profit for the year

For the year ended 31 December 2020, the Group recorded a profit of approximately RMB7,510,000, representing a decrease of approximately 87.1% as compared with approximately RMB57,997,000 for the year ended 31 December 2019. The decrease in net profit was mainly due to the following reasons: (i) the decrease of other income and losses of approximately RMB7,409,000 mainly resulting from the decrease in government grants; (ii) the increase in loss arising from the change in fair value less cost to sell of biological assets of approximately RMB66,000 for the Reporting Period, from the gain of approximately RMB34,220,000 for the year ended 31 December 2019; (iii) no gain arising from fair value change of derivative financial liability; and (iv) the increase of selling and distribution expenses of approximately RMB4,918,000; despite the increase of gross profit of approximately RMB3,353,000 mainly resulting from the increase in selling price.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group's working capital requirement was principally financed by internally generated cashflow and bank facilities. As at 31 December 2020, cash and cash equivalents amounted to approximately RMB5,764,000 (31 December 2019: approximately RMB8,841,000). As of 31 December 2020, the net cash generated from operating activities amounted to approximately RMB56,936,000 (31 December 2019: net cash generated from operating activities amounted to approximately RMB82,748,000).

Redemption of Convertible Bond and Note

References are made to the announcements of the Company dated 11 June 2020 (the "Announcement"). The terms used in this report shall have the same meaning as those defined in the Announcement, unless the context otherwise requires. According to the Announcement, the Maturity Date is further extended to 31 May 2022. For the detail of the current status of the Convertible Bond and the Note, please refer to the announcement of the Company dated 11 June 2021. The Company will continue to keep its shareholders and potential investors of the Company updated of any material development of the Convertible Bond and the Note as and when appropriate.

Management Discussion and Analysis (continued)

Bank Borrowings and Pledged Assets

As at 31 December 2020, the total amount of interest-bearing bank borrowings was approximately RMB140,042,000 (31 December 2019: bank borrowings were RMB141,958,000). The total amounts of interest-bearing bank borrowings and bank overdrafts were denominated in RMB and HKD and bore a floating interest rate.

As at 31 December 2020, bank borrowings of approximately RMB222,997,000 were secured by pledge/charge over the Group's property, plant and equipment and right-of-use asset with a total carrying value of approximately RMB85,535,000 (31 December 2019: approximately RMB94,728,000), and secured by guarantees provided by the Company and Mr. Cai Chenyang, who is the director, chairman of the Board and a major shareholder of the Company.

Gearing Ratio

As at 31 December 2020, the gearing ratio of the Group was 55.9% (31 December 2019: 64.3%). This was calculated by dividing interest-bearing borrowings, the amount due to a shareholder, bank overdrafts and lease liabilities by the total equity of the Group as at 31 December 2020.

Foreign Exchange Risk

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

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisitions and disposals of subsidiaries during the Reporting Period.

Winding-Up Petition Made Against the Company

References are hereby made to the announcements (collectively, the "Announcements") of the Company dated 2 July 2020, 11 September 2020, 21 September 2020, 30 September 2020 and 12 October 2020, relating to and in connection with a winding-up petition (the "Petition") filed by Financial Asia Limited (the "Petitioner") against the Company and/or the application to strike out the Petition made by the Company (the "Application"). Please refer to the Announcements for the details of the development of the Petition.

As disclosed in the announcement dated 12 October 2020, Judge Linda Chan heard the hearing of the Petition and the hearing of the Application (collectively, the "Hearings"). After hearing the statement made by the counsel of the Company and in the absence of the Petitioner at the Hearings, the High Court ordered that, among other things, the Petition be struck out and the costs of the Petition and Application shall be paid by the Petitioner to the Company.

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities (2019: Nil).

Capital Commitments

As at 31 December 2020, the Group had capital commitments of approximately RMB65,544,000 (31 December 2019: approximately RMB69,024,000), which mainly comprised commitments for the construction in process in Hebei and Fujian.

Human Resources

As at 31 December 2020, the Group had 486 (31 December 2019: 503) employees. Staff costs (including share option scheme, sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB17,458,000 (31 December 2019: approximately RMB23,329,000) during the Reporting Period. All the Group's companies treat all their employees equally, with the selection and promotion of individuals being based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for our employees in Hong Kong, and provides our PRC employees with various welfare schemes as required by the applicable laws and regulations in the PRC.

PROSPECTS

1. Commit to Expanding Territory to Meet the Demands of Domestic Consumers

Despite the impact of COVID-19, pork is an essential consumer product for people's livelihood. Domestics demand for live hogs increased notwithstanding high prices in early 2020. Therefore, the Group is confident that the domestic demand for hogs will remain stable the next year. In the future, the Group will continue to build the high-end brand image of "Putian Black Pearl" to expand its sales territory, and continue to input resources to expand the Group's retail outlets in Beijing. At the same time, in order to adapt to different market demands and changes in the market, the Group will improve its retail strategy through big data and other statistical models, so as to meet the demands of consumers in various regions in China and provide appropriate high-quality food ingredients. In Beijing, the Group will continue to increase the publicity of the "Putian Black Pearl" brand, and in Fujian, the Group will mainly promote the Putian pork brand. In the coming year, the Group plans to add 5 retail outlets in Hualian, Wal-Mart and Carrefour, respectively, and 10 retail outlets in Wu Mart in Beijing, reaching a total of 25 retail outlets.

2. Focus on the Expansion of Retail Channels and Search for Online Sales Opportunities

China's e-commerce market witnessed rapid development, with increasing consumers in China shopping online. Prior to the outbreak of COVID-19, the proportion of online food shopping was far less than that of non-food shopping. However, since the outbreak of COVID-19, buying food products through online channels has become the new norm. As the scale of online retail continues to grow, the Group is optimistic about the development potential of online retail and believes that it is the business trend in the future. Therefore, the Group will continue to fortify efforts on the expansion of online retail channels, and focus on expanding e-commerce, community stores and family delivery membership as the main sales channels of high-end pork by investing in more comprehensive distribution services and other new food ingredient sales strategies. The Group expects that this will not only expand its revenue source, but also help the brand to reach deeper into the households of consumers, thus laying the foundation for the Group's future development.

3. Meet the Demands of the Live Hog Market and Improve the Capacity Utilisation Rate

Despite the effect of COVID-19 in 2020, the demand for live hogs remained stable. The Group believes that the current domestic live hog market still has development potential. However, having noticed the market changes in the first half of the year, the Group adjusted its business strategy by developing its retail pork and wholesale pork businesses and expanding its sales channels. Currently, the production progress of farms in Xuanhua in Hebei, Shiti and Xianglixiang in Putian is stable. It is expected that the number of live hogs ready for slaughter will increase next year to raise the supply of the Group and achieve remarkable sales results.

Biographical Details of Directors and Company Secretary

EXECUTIVE DIRECTORS

Cai Chenyang (蔡晨陽), aged 51, is a cousin of Mr. Cai Haifang, an executive director of the Company. Mr. Cai Chenyang became a director of the Company ("Director(s)") on 27 May 2011 and has been redesignated as an executive Director and appointed as the chairman and the chief executive officer of the Company since 7 February 2012. He is also the sole shareholder and sole director of Zhan Rui Investments Limited (展瑞投資有限公司) ("Zhan Rui"), a controlling shareholder of the Company.

Mr. Cai Chenyang has over 19 years of corporate managerial experience. He commenced his career as an entrepreneur in 2001 when he founded Anhui Tianyi Investments Limited (安徽天怡投資有限公司) ("Anhui Tianyi") in Anhui Province of the People's Republic of China ("PRC") which was engaged in the business of real estate development. Mr. Cai Chenyang worked in the Sixth Engineering Architect Department of the Navy of the Liberation Army of the PRC (中國人民解放軍海軍第六工程建築處) as an engineer from around August 1998 to 2001.

Mr. Cai Chenyang established Tianyi (Fujian) Modern Agriculture Development Limited (天怡(福建)現代農業發展有限公司) ("Fujian Tianyi") which is the major business operating entity of the Group and has been indirectly wholly owned by the Company since April 2005. Since Fujian Tianyi's establishment, Mr. Cai Chenyang has been responsible for formulating the overall business strategy, identifying business opportunities, and overseeing capital financing of the Group. Mr. Cai Chenyang has received many honorable titles, including inter alia, Executive Member of the Council of World Fujian Youth Association (世界福建青年聯合會理事), China's Outstanding Private Enterprise Business Leader awarded in the 2009 China's Private Enterprise Business Leaders Annual Meeting (2009中國民營企業領袖年會"中國優秀民營企業家"), the Nominated Award of the 7th Fujian Province Ten Outstanding Youth (七屆福建省十大傑出青年提名獎), Outstanding Young Business Leader of the 9th Fujian Province Outstanding Young Business Leaders Associate (第九屆福建省優秀青年企業家) and the Executive Member of the 2nd Fujian Association for Promotion of Integrity (福建省誠信促進會第二屆理事會理事). Mr. Cai Chenyang is also the executive commissioner of the Political Consultation Committee of Putian City, Fujian Province (中國人民政治協商會議福建省莆田市委員).

Mr. Cai Chenyang obtained a diploma in economics and management study from the University of Science and Technology of China (中國科學技術大學) in 2004. Mr. Cai Chenyang finished the curriculum of an EMBA of Xiamen University (廈門大學) in June 2011. Mr. Cai Chenyang has studied the curriculum of an EMBA in the Tsinghua University PBC School of Finance since September 2017.

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

Biographical Details of Directors and Company Secretary (continued)

Cai Haifang (蔡海芳), aged 42, is a cousin of Mr. Cai Chenyang, an executive Director. Mr. Cai Haifang has been an executive Director since 7 February 2012.

He worked for Anhui Tianyi as the deputy chief of the sourcing office responsible for materials sourcing and costs control from around 2001 to April 2005. He joined Fujian Tianyi as the deputy chief of the sourcing office in 2005 assisting the establishment of Fujian Tianyi. From 2006 to 2008, he was the manager of the sourcing centre, where he was primarily responsible for the procurement of major assets (including production facilities and breeder hogs) for Fujian Tianyi. He was appointed as the manager of the chief executive office and the head of the sourcing department in 2008, and was responsible for the management of the sourcing department and the administration of the external affairs of Fujian Tianyi. From 2010 to January 2011, he was the assistant to the chief executive officer. In January 2011, Mr. Cai Haifang was promoted to the post of deputy chief executive officer overseeing the administrative office and the sourcing of Fujian Tianyi. In August 2015, Mr. Cai Haifang was promoted to the post of general manager of Fujian Tianyi. In 2017, Mr. Cai Haifang was promoted to the post of chairman of the board of Fujian Tianyi. Mr. Cai Haifang graduated from a secondary school in Putian, the PRC in 1997. In 2014, Mr. Cai Haifang was a college student at Putian Branch The Open University of Fujian (莆田市廣播電視大學).

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

Ma Yilin (麻伊琳), aged 37, is an executive Director. She obtained her bachelor's degree in Broadcasting and Hosting from the Shanghai Theatre Academy in 2006. Ms. Ma is currently the presenter of Dragon TV under Shanghai Media Group. She has accumulated years of extensive experience in the culture and media industry and has a wide network of relationships with people from the industry.

From October 2017 to August 2018, Ms. Ma was also an executive director of Elegance Optical International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 907). Since October 2016, Ms. Ma had been a director of the Zhongyue Technology Co Ltd* (中悦科技股份有限公司), a company listed on the National Equities Exchange and Quotations (NEEQ) (stock code: 834772).

Ms. Ma is also a member of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference, Deputy Secretary — General of the Changning Youth Federation, and a member of the Shanghai Youth Federation. She is experienced in corporate strategic planning and corporate governance.

Biographical Details of Directors and Company Secretary (continued)

NON-EXECUTIVE DIRECTORS

Cheng Lian (程利安), aged 39, obtained his master's degree in business administration from the University of Chinese Academy of Sciences in 2013. He has around 8 years of experience in accounting and financial management and management of the farming industry. He has been a vice general manager of Beijing Beijiao State Farm Company Limited* (北京市北郊農場有限公司) since September 2016.

Cai Zhiwei (蔡之偉), aged 29, obtained his master's degree in Business Finance from Queen Mary University of London in 2015. He has over 4 years of experience in financial management. From July 2016 to October 2018, He was a senior manager of the fixed income department of BOC International (China) Co., Ltd. Since February 2019, he has been an analyst of the investment banking department of BOCI Asia Limited. He is the son of Mr. Cai Chenyang, who is the chairman, the chief executive officer, an executive director and a controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Zirong (蔡子榮), aged 69, has been an independent non-executive Director since 7 February 2012. He is also the chairman of the remuneration committee of the Company (the "Remuneration Committee") and a member of the nomination committee (the "Nomination Committee") and audit committee (the "Audit Committee") of the Company. Mr. Cai Zirong has over 38 years of experience in financial management. From June 1978 to October 1988, he was the assistant battalion chief of the Finance Unit of the Logistic Department of the 93rd Division (93師後勤部財務科正營級助理員). He has been working in the People's Bank of China as senior manager for almost 24 years. He was the Deputy Governor of the People's Bank of China of Putian County from January 1990 to November 1996 and was promoted to the position of Governor in December 1996. From February 2004 to October 2006, Mr. Cai Zirong worked as the Governor of the People's Bank of China of Xianyou County (仙游縣). He was elected as a representative of the 4th People's Congress of Putian City from year 2001 to 2005. Since September 2006, he has been of the rank of Section Chief of the publicity department of Putian City centre branch of the People's Bank of China. Mr. Cai Zirong graduated from People's Liberation Army Nanchang Army School (中國人民解放軍南昌陸軍學校) (now known as People's Liberation Army Nanchang Army College (中國人民解放軍南昌陸軍學院)) with a certificate in finance in 1985.

Xue Chaochao (薛抄抄), aged 38, obtained his master's degree in engineering thermophysics from the University of Shanghai for Science and Technology in 2009. Mr. Xue is a qualified senior accountant. Mr. Xue also has a certificate of accounting professional and the investment fund industry practice certificate awarded by Langfang Municipal Finance Bureau and Asset Management Associate of China respectively. Mr. Xue has around 12 years of experience in business and financial management. From September 2009 to February 2014, Mr. Xue was the investment manager of the strategy management department in China Energy Conservation and Environmental Protection Group. From February 2014 to March 2016, Mr. Xue was the vice supervisor of the strategy investment department in CECEP Environmental Protection Investment Development (Jiangxi) Co., Ltd* (中節能環保投資發展(江西)有限公司). From March 2016 to March 2019, Mr. Xue was the executive general manager of the energy conservation and environmental protection department in NNFE Fund Management (Beijing) Co., Ltd* (新毅投資基金管理(北京)有限公司). Since March 2019, Mr. Xue has been the partner of Beijing Golden Spring Capital Management Co., Ltd* (北京國瑞金泉資本管理有限公司).

* For identification purpose only

Biographical Details of Directors and Company Secretary (continued)

Wang Aiguo (王愛國), aged 64, has been an independent non-executive Director since 28 May 2014. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee. He was a teaching assistant and a lecturer of the Faculty of Animal Husbandry of Shanxi Agricultural University and devoted himself to teaching and scientific research in animal heredity breeding. Mr. Wang has worked in the China Agricultural University since 1993 and is now the college professor and instructor for doctorate students in the College of Animal Science and Technology of China Agricultural University, mainly engaging in the teaching of and scientific research and postgraduate training on animal heredity breeding and rearing of pigs.

Mr. Wang has established extensive connections in the industry both in the mainland China and overseas and dedicated himself to the establishment of a modern pig rearing and breeding system applicable to the PRC, the development and application of relevant new breeding technologies. He was in charge of many core national plans and research projects in this regard. He has also published many theses and teaching materials, trained a number of doctoral students and postgraduates, and has obtained a national patent, developed a specialized strain of pigs as well as been in charge of the formulation of two national standards in the relevant field. He has obtained many awards (e.g. the Second-Class Award in State Science and Technology Progress Award) as an agricultural expert in this field. He is the committee member of many relevant organisations in the industry of animal heredity, pig rearing and breeding and related works, including the National Commission for the Livestock and Poultry Genetic Resources.

Mr. Wang obtained his bachelor's degree in Animal Husbandry from Shanxi Agricultural University in January 1982. He obtained his doctorate degree from the Technical University of Munich in Germany in August 1990. He completed his post-doctoral research at Beijing Agricultural University in October 1992.

COMPANY SECRETARY

Ku Kin Shing, Ignatius (谷建聖), aged 59, joined the Group in May 2011 as the financial controller. He is responsible for the financial reporting matters of the Group in Hong Kong, including the preparation of financial reports and ensuring the Group's compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and other statutory requirements. In addition, he is responsible for implementing internal control and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of the Group's financial matters.

Mr. Ku has over 28 years of experience in finance and accounting and had worked in an international accounting firm prior to joining the Group. He previously held the position of financial controller in a listed company in Singapore. Mr. Ku holds a Bachelor of Commerce (Accounting) degree from the University of Canberra, Australia. He is a member of the Australian Society of Certified Practicing Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ku has been an executive Director of China Putian Food Development Company Limited (an indirect wholly owned subsidiary of the Company) since 3 December 2013.

Corporate Governance Report

INTRODUCTION

The directors of the Company (the "Directors") are pleased to present the corporate governance report for the year ended 31 December 2020 as follows.

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

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

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

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2020, the Company has complied with the Code Provisions with the following exceptions:

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

Mr. Cai Chenyang is both 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 caliber individuals who meet regularly to discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of chairman and chief executive officer of the Company is beneficial to the business prospect of the Group.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

The Company has received a confirmation (the "Confirmation") from Zhan Rui Investments Limited and Mr. Cai Chenyang (the "Covenantors") signed by them on 22 June 2021 respectively confirming that for the period from 1 January 2020 to 31 December 2020 and up to the date of signing the Confirmation by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 22 June 2012 (the "Deed of Non-Competition") and, in particular, they and their respective associates have not, directly or indirectly, carried on or been engaged or interested in (i) production and sale of pork products; (ii) sale of hogs; (iii) sale of side products produced during the production process of pork products; (iv) slaughtering and processing of hogs; and (v) any other business which, directly or indirectly, compete or may compete with the business previously carried on by or other business that may be carried on by the Group.

Corporate Governance Report (continued)

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

DIRECTORS

The Board

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

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

Board Composition

There are currently 8 Directors, responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board currently comprises the following Directors:

Executive Directors
Mr. Cai Chenyang *(Chairman and Chief Executive Officer)*
Mr. Cai Haifang
Ms. Ma Yilin

Non-executive Directors
Mr. Cheng Lian
Mr. Cai Zhiwei

Independent Non-executive Directors
Mr. Xue Chaochao
Mr. Cai Zirong
Mr. Wang Aiguo

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

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

Details of the biographies of the Directors are given under the section "Biographical Details of Directors and Company Secretary" of this annual report on pages 16 to 19.

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

Corporate Governance Report (continued)

The independent non-executive Directors play an important role on the Board. Accounting for more than one third of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. Throughout the year of 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications in accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

Number of meetings attended in 2020

During the year of 2020, the Board held 4 regular meetings at about quarterly intervals with no additional meeting regarding special matters which required the Board's decisions.

As regards general meetings, the Company held the annual general meeting on 30 July 2020. A table summary in regard to the Directors' participation at the various Board meetings and the Company's general meeting(s) is set out below. Directors' participation at the meetings of the audit committee of the Company ("Audit Committee"), the nomination committee of the Company ("Nomination Committee"), and the remuneration committee of the Company ("Remuneration Committee") (collectively, the "Board Committees") is set out at paragraph headed "Board Committees" of this section below.

Meetings held in 2020

	Regular Board Meetings	General Meetings
Executive Directors		
Cai Chenyang *(Chairman and Chief Executive Officer)*	4/4	1/1
Cai Haifang	4/4	1/1
Ma Yilin	4/4	1/1
Non-executive Directors		
Cheng Lian	4/4	1/1
Cai Zhiwei	4/4	1/1
Independent non-executive Directors		
Xue Chaochao	4/4	1/1
Wang Aiguo	4/4	1/1
Wu Shiming	4/4	1/1

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings (if any).

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

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

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

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

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

Chairman and Chief Executive

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

The core duties of the chairman include:

- overseeing the development of the long-term strategies, objectives and policies for the Company;
- ensuring, with the assistance of the management, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and are properly briefed on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, and discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- taking primary responsibility for ensuring that good corporate practices and procedures are in place;
- ensuring, with (where appropriate) delegation to Company Secretary or a designated Director, that the agenda for each Board meeting are drawn up and approving the same, taking into account matters proposed by other Directors;
- encouraging all Directors to fully and actively contribute to the Board's affairs and taking the lead to ensure that it acts in the best interests of the Company;
- encouraging all Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensures that Board decisions fairly reflect the Board's consensus;

Corporate Governance Report (continued)

- promoting a culture of openness and debate by facilitating the effective contribution of Directors, in particular, non-executive Directors, and promoting the constructive relations between executive and non-executive Directors;
- holding meeting(s) at least annually with the independent non-executive Directors without the executive Directors present. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed;
- ensuring appropriate steps are taken to provide effective communication with the shareholders and that views of shareholders are communicated to the Board as a whole;
- attending the annual general meeting of the Company and arranging for the chairman of the Audit, Remuneration and Nomination Committees (as appropriate) or in the absence of the chairman of such committees, another member of same committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company; and
- deciding whether a resolution at a general meeting of the Company relating purely to a procedural or administrative matter should be excluded from the requirement for voting by poll.

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

Under article 83(3) of the Company's articles of association (the "Articles of Association"), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after the appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

In accordance with the said provision of the Articles of Association and the Code Provision A.4.1, at the last annual general meeting of the Company ("AGM") held on 30 July 2020, Mr. Cai Zirong, Mr. Cai Haifang, Mr. Xue Chaochao, Mr. Cheng Lian and Mr. Cai Zhiwei retired from office by rotation pursuant to Article 83(3) and Articles 84 respectively, and offered themselves for re-election. At that AGM, Mr. Cai Zirong, Mr. Cai Haifang, Mr. Xue Chaochao, Mr. Cheng Lian and Mr. Cai Zhiwei re-elected to hold office until the conclusion of the annual general meeting of the Company of 2023.

Independent Non-executive Directors

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

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

Corporate Governance Report (continued)

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

Name of independent non-executive Director	Terms of Appointment
Cai Zirong	a term of 3 years until the conclusion of the annual general meeting of the Company in 2023
Wang Aiguo	a term of 3 years until the conclusion of the annual general meeting of the Company of 2022
Xue Chaochao	a term of 3 years until the conclusion of the annual general meeting of the Company in 2023

Nomination of Directors

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

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

Responsibilities of Directors

Mr. Cai Chenyang works closely with the newly appointed Directors (if any) both immediately before and after their appointment to acquaint them with the duties and responsibilities as a Director and the business operation of the Company.

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

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

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

Corporate Governance Report (continued)

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

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

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following trainings with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2020 to 31 December 2020:

Directors	Read materials	Attend seminars/ briefings
Executive Directors		
Mr. Cai Chenyang	✓	✓
Mr. Cai Haifang	✓	✓
Ms. Ma Yilin	✓	✓
Non-executive Directors		
Mr. Cheng Lian	✓	✓
Mr. Cai Zhiwei	✓	✓
Independent Non-executive Directors		
Mr. Cai Zirong	✓	✓
Mr. Wang Aiguo	✓	✓
Mr. Xue Chaochao	✓	✓

Corporate Governance Report (continued)

Securities Transactions Guidelines

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

Specific enquiries have been made with all Directors and they have confirmed that throughout the year ended 31 December 2020, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The Directors' interests in shares of the Company as at 31 December 2020 are set out on pages 46 to 48 of this annual report.

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

DELEGATION BY THE BOARD

Management Functions

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

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

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

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and publication of announcements;
- delegation to the chairman, and delegation to and by Board Committees;

Corporate Governance Report (continued)

- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- corporate governance policy and duties.

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

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

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

- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the nomination and appointment of personnels other than the members of the Board, senior management and auditors;

- approving press release concerning matters decided by the Board;

- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and

- carrying out any other duties as the Board may delegate from time to time.

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

Board Committees

In 2020, the Board had 3 Board Committees, which are the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committee at the meetings of the Board Committees in 2020 is as follows:

Independent non-executive Directors	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Cai Zirong	3/3	1/1	1/1
Wang Aiguo	3/3	1/1	1/1
Xue Chaochao	3/3	1/1	1/1

Nomination Committee

The Nomination Committee was established on 22 June 2012. All of the members are independent non-executive Directors. The Nomination Committee currently comprises 3 members. This Committee is chaired by Mr. Wang Aiguo with Mr. Cai Zirong and Mr. Xue Chaochao as members. The Committee held a meeting during 2020.

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

The main duties of the Nomination Committee include the following:

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

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

Corporate Governance Report (continued)

- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, in particular the chairman of the Board and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;
- to review the Board Diversity Policy (as summarised hereinafter), as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and to make disclosure of its review results in the Corporate Governance Report annually;
- to review the time required from a Director to perform his responsibilities;
- to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and
- to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The work performed by the Committee during 2020 included (among others):

- reviewing policy for nomination of Directors;
- reviewing the current Board structure, diversity and composition;
- assessing the independence of all independent non-executive Directors;
- reviewing the contribution required from a Director to perform his/her responsibilities and whether he/she has spent sufficient time performing them; and
- reviewing the training and continuous professional development of Directors.

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

In relation to the nomination procedure:

1. When the Board considers it is necessary to appoint a new director, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).
2. Prepare a description of the role and capabilities required for the particular vacancy.
3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.
4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

Corporate Governance Report (continued)

5. Conduct verification of information provided by the candidate.

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

In relation to the nomination criteria:

1. Common Criteria for All Directors:

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

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

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

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

   (f) Breadth of knowledge about issues affecting the Company

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

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

   (i) Fit with the Company's culture

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

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

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

   (c) Outstanding professional and personal reputation

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

Corporate Governance Report (continued)

Board Diversity Policy

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

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

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

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

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

Remuneration Committee

All of the members of the Remuneration Committee are independent non-executive Directors. The Remuneration Committee currently comprises 3 members. This Committee is chaired by Mr. Cai Zirong with Mr. Wang Aiguo and Mr. Xue Chaochao as members. The Remuneration Committee held a meeting during 2020.

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

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

During 2020, the Remuneration Committee accomplished the following (among others):

- reviewing the emolument policy and structure and the levels of remuneration paid to the Directors and senior management of the Group;

- assessing the performance of executive Directors;
- approving the terms of executive Directors' service contracts;
- determining the remuneration packages of all the executive Directors and senior management (including salaries, bonuses, benefits in kind, the terms on which they participate in any share or other incentive scheme and any provident fund or other retirement benefit scheme and compensation payments (including any compensation payable for loss or termination of their office or appointment)) taking into consideration salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- reviewing the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive;
- discussing and approving the final bonus plan for the year of 2019; and
- reviewing new framework for determining the remuneration package in the coming year.

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

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

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

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

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

Audit Committee
The Audit Committee currently comprises 3 members, namely Mr. Xue Chaochao, Mr. Cai Zirong, and Mr. Wang Aiguo, all of whom are independent non-executive Directors. Mr. Xue Chaochao is a qualified senior accountant. Mr. Xue also has a certificate of accounting professional and the investment fund industry practice certificate awarded by Langfang Municipal Finance Bureau and Asset Management Associate of China respectively. Mr. Xue has around 11 years of experience in business and financial management.

Corporate Governance Report (continued)

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

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

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

The work performed by the Audit Committee during 2020 included consideration of the following matters (among others):

- the completeness and accuracy of the 2019 annual and 2020 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- review of the effectiveness of the risk management and the internal control systems of the Group;
- review of the adequacy of resources of the internal audit department and the effectiveness of the internal audit function;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2020; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. HLB Hodgson Impey Cheng Limited as the external auditors, which the Board agreed and accepted.

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

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting of the Company, Messrs. HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditors for 2021.

ACCOUNTABILITY AND AUDIT

As at 31 December 2020, the Company had net assets of approximately RMB692,426,000, the Company recorded a profit attributable to equity holders of the parent of approximately RMB7,510,000 for the year ended 31 December 2020.

Financial Reporting

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

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

The statement by the external auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on pages 54 to 58.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 59 to 145 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The bases on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 8 to 15 in this annual report.

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

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

Risk Management and Internal Controls

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. The Directors acknowledge their responsibility for the risk management and internal controls systems of the Company and reviewing their effectiveness. The Board oversees the risk management and internal control systems on an ongoing basis and conducts a review of the effectiveness of the Group's risk management and internal control systems at least annually. During the year under review, in the Audit Committee meeting and Board meeting held in March 2020, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control systems which covers review on all material controls including financial, operational and compliance controls, the effectiveness of internal audit functions and other duties under the Code for the financial year ended 31 December 2020, so as to ensure the adequacy of resources and effectiveness of the internal audit function, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions, and the Board considers such systems are effective and adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report (continued)

The Company has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units, identifying the operation risk of the Group and reporting to the Audit Committee any significant risks identified.

The Company has an internal audit function. The Company's internal audit department identifies the risks of the Group, and independently reviewed the effectiveness of the internal control and risk management systems, including financial, operational and compliance, in the key activities of the Company's business. The head of the Company's internal audit department reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the risks identified and the effectiveness of the systems of internal control and risk management of the Group.

External auditors will also report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of audit. For the year of 2019, no critical internal control issues have been identified.

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

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

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

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

Connected Transactions

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

Auditor's Remuneration

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

Audit services	RMB900,000
Non-audit services (which include taxation compliance and agreed upon procedures)	RMB9,000

COMPANY SECRETARY

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

Since Mr. Ku Kin Shing, Ignatius was appointed on May 2011, he has to take no less than 15 hours of relevant professional training during the year 2020. He has fulfiled the requirement during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Key Investor Events in 2020

Date	Events
29 May 2020	Meeting with banker

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

Also, at the AGM held on 30 July 2020, separate resolutions (if any) for each substantially separate issue were proposed (if there is any).

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

The representative(s) of the external auditor of the Company, Messrs. HLB Hodgson Impey Cheng Limited also attended the AGM held on 30 July 2020 to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Corporate Governance Report (continued)

Voting by Poll

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

Shareholders' Rights to Convene an Extraordinary General Meeting

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

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

Based on the requirement of the Code, the Shareholders Communication Policy was formulated and adopted on 22 June 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders. The effectiveness of shareholders communication under the Shareholders Communication Policy had been reviewed by the Board at the 29 May 2020 Board meeting during the year 2020.

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

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. In addition to the general meetings, press conferences and analysts briefings are held subsequent to the interim and final results announcements in which the Directors and management are available to answer questions about the Group. Investors can also submit enquiries and proposal of the Board and the management to be put forward at shareholders' meetings by call to Mr. Cai Haifang at (852) 3582 4666, or via email to general@fjtianyicn.com, or directly by raising questions at the general meeting of the Company. The Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Constitutional Documents

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

Conclusion

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

Report of the Directors

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDEND

The Group's profit for the year ended 31 December 2020 and the state of affairs of the Company and the Group as at the said date are set out in the consolidated financial statements on pages 59 to 145.

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 146 of this report.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch share register of members will be closed from Monday, 2 August 2021 to Friday, 6 August 2021, both days inclusive, on which no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, 6 August 2021, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 30 July 2021 with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 32 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, the details of which are disclosed below and Note 31 to the consolidated financial statements, the subscription agreements, instruments and other documents in relation to the Convertible Bond due 2018 issued by the Company (details of which are disclosed in Note 30 to the consolidated financial statements and the section headed "Management Discussion and Analysis"), no equity-linked agreement was entered into by the Company during 2020 or subsisted at the end of 2020.

SHARE OPTION SCHEME

The purpose of the share option scheme approved and adopted by the Company on 22 June 2012 and becoming effective on 13 July 2012 (the "Share Option Scheme") is to recognise and motivate the contribution of its participants (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. 80,000,000 shares with par value of HK$0.1 each (equivalent to 160,000,000 shares with par value of HK$0.05 each after the share 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), which represent 10% of the total number of issued shares as at 29 June 2015, the date on which the scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting of the Company). Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (i.e. 480,000,000 Shares which represent 30% of the issued share capital as at the date of this annual report).

Report of the Directors (continued)

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

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

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

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

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

As at 31 December 2018, the number of shares available for issue under the Share Option Scheme was 99,980,000, representing 5.3% 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).

Report of the Directors (continued)

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

Grantee	Exercisable period	Exercisable price per shares (adjusted by Share Subdivision on 2 July 2015) (HK$)	Balance as at 31 December 2019 and 1 January 2020 ('000)	Lapsed during the period ('000)	Exercised during the period ('000)	Cancelled during the period ('000)	Balance as at 31 December 2020 ('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	4,700	–	–	–	4,700
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	7,900	–	–	–	7,900
	(3 31 Dec 2017 to 30 Mar 2025	0.595	8,740	–	–	–	8,740
			98,200	–	–	–	98,200

PRE-EMPTIVE RIGHTS

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

RESERVES

The Company did not have any reserves available for distribution to the Shareholders as at 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the percentage of revenue from sales of goods attributable to the largest customer is 10.8%; and the percentage of revenue from sales of goods attributable to the 5 largest customers combined is 39.9%. For the year ended 31 December 2020, the largest and five largest suppliers of the Group accounted for approximately 24.7% and approximately 49.2% of the Group's total purchases respectively.

Report of the Directors (continued)

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2020.

DIRECTORS AND RE-ELECTION OF DIRECTORS

The Directors of the Company during the year of 2020 and up to the date of this report were :

Executive Directors:

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

Non-executive Directors:

Mr. Cheng Lian
Mr. Cai Zhiwei

Independent non-executive Directors:

Mr. Xue Chaochao
Mr. Cai Zirong
Mr. Wang Aiguo

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

DIRECTORS' AND COMPANY SECRETARY'S BIOGRAPHIES

Biographical details of the Directors of the Company and the company secretary of the Company are set out on pages 16 to 19 of this report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS' REMUNERATION

For the year ended 31 December 2020, the shareholders of the Company authorised the Board to fix the Directors' remuneration. Emoluments of executive Directors and company secretary are determined by the remuneration committee with reference to market conditions, time commitment, responsibilities and performance and the results of the Group.

SHARE CHARGE BY THE CONTROLLING SHAREHOLDER

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

COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

Pursuant to the bond instruments constituting the Convertible Bond due 2018 and the Note issued by the Company to the Investor, the holders of the Convertible Bond due 2018 and the Note shall have the right to require the Company to redeem the Convertible Bond due 2018 and the Note in full during the continuance of the events of default. The events of default are, among others, the cessation of Mr. Cai Chenyang, an indirect controlling shareholder of the Company, 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.

Report of the Directors (continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register of interest required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares and underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation and beneficial owner	1,078,440,000	57.09%
Mr. Cai Haifang (Note 2)	Beneficial owner	4,420,000	0.23%

Notes:

(1) Among the 1,078,440,000 shares/underlying shares held, Mr. Cai Chenyang was deemed to be interested in 1,006,000,000 shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang, while he held derivative interest in 72,440,000 underlying shares as beneficial owner pursuant to unlisted physically settled equity derivatives.

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

Short position in the shares and underlying shares of the Company

Name	Nature of interest	Number of shares/ underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation	1,078,440,000	57.09%

Note:

(1) Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, was deemed to have a short position of 1,006,000,000 shares of the Company which has been charged to Vandi Investments Limited and Mr. Cai Chenyang also had a short position of 72,440,000 underlying shares of the Company, which is a short position over unlisted physically settled equity derivatives.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or which would otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholder's and Other Personal Interest in Shares

As at 31 December 2020, the interest and short position of the persons (other than the directors or chief executive of the Company) in shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO were as follows::

Long position in the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares/underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (Note 1)	Beneficial owner	1,078,440,000	57.09%
Sze Ching Lau	Beneficial owner	100,476,000	5.32%
BCAGI	Beneficial owner	99,000,000	5.24%
China Construction Bank Corporation (Note 2)	Interest of controlled corporation/security interest in shares	816,000,000	43.20%
Central Huijin Investment Ltd. (Note 3)	Interest of controlled corporation/security interest in shares	816,000,000	43.20%

Notes:

(1) Zhan Rui held 1,006,000,000 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) Vandi Investments Limited is a corporation 100% indirectly controlled by China Construction Bank Corporation, and the long position includes security interests in 816,000,000 shares of the Company.

(3) Vandi Investments Limited is a corporation 100% indirectly controlled by China Construction Bank Corporation, of which Central Huijin Investment Ltd. has 57.31% control. Also, the long position includes security interests in 816,000,000 shares of the Company.

Report of the Directors (continued)

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	1,078,440,000	57.09%

Note:

(1) Zhan Rui was deemed to have a short position of 1,006,000,000 shares of the Company held by Zhan Rui and charged to Vandi Investments Limited. Zhan Rui also had a short position of 72,440,000 underlying shares of the Company, which is a short position over unlisted physically settled equity derivatives.

Save as disclosed above, as at 31 December 2020, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as those disclosed in the paragraph "Share Option Scheme" in this section and in Note 31 to the consolidated financial statements, Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, was entered into the subscription agreement on 30 July 2018 with the Company to subscribe for 190,000,000 shares, and completed the transaction on 15 October 2018; and Ms. Ma Yilin acquired 20,000,000 shares of the Company on 12 September 2018.

Ms. Ma Yilin sold 5,724,000 shares of the Company during October 2019, and sold 1,300,000 shares of the Company during June 2020.

Report of the Directors (continued)

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTION

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

The related party transactions in relation to the key management personnel remuneration as disclosed in Note 11, 12 and 39 to the consolidated financial statements in this annual report are connected transactions exempt from annual reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director of the Company is or was during 2019 engaged in or has or had during 2020 any interest in any business which is likely to compete directly or indirectly with that of the Group.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contract, other than service contracts with directors or full-time employees of the Company, by which a person undertakes the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2020.

PERMITTED INDEMNITY PROVISIONS

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

Report of the Directors (continued)

CODE ON CORPORATE GOVERNANCE PRACTICES

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

BUSINESS REVIEW

Details of the business review of the Company for the year ended 31 December 2020 are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report, and the following sections in this report.

DETAILS OF IMPORTANT EVENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group and the measures to manage such risks are those set out below and in Note 4 and Note 37 to the consolidated financial statements.

Volatility of Commodity Prices

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

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

Product Quality and Safety

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

Animal Disease Outbreaks

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

The Group has extensive measures in place to monitor and mitigate those risks, including but not limited to regular inspections, disease controls, surveys and insurance.

Interest Rate Fluctuation

The Group had total borrowings of approximately RMB365,035,000 as at 31 December 2020 and approximately 35.7% of the total borrowings were at floating rate which subjects the Group to interest rate risk.

Compliance Risks

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

Report of the Directors (continued)

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

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

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

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

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

The aforesaid laws and regulations are related to breeding of hogs and food safety, and thus affect hog farming and sales of pork, the principal activities of the Group.

During the year ended 31 December 2020, the Group has complied with the aforesaid laws and regulations, which have a significant impact on the Group.

Save as disclosed, the Company has complied with the Listing Rules during the year ended 31 December 2020.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Relationship with our employees

The Group evaluates its employees or potential employees during recruitment, retention and promotion process irrespective of their races, genders, cultures or physical condition. The Group values its staff as its most important assets and resources as they help the Group to sustain its core values and culture. The Group offers on-job training and encourages its staff to attend external training courses to develop personal skills. As at 31 December 2020, the Group had 486 employees. The gender distribution of our employees is that approximately 53.3% were male and approximately 46.7% were female.

Relationship with our suppliers

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

The key suppliers are provided raw materials to the Group. We have developed business relationship with our key suppliers for a period ranging from approximately one year to twelve years. The average credit period on purchases of certain goods is generally 60 days from the key suppliers.

Relationship with our customers

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

The key customers are purchased retail and wholesale of pork mainly from the Group. We have developed business relationship with our key customers for a period ranging from approximately one year to seven years. The Group normally allows a credit period ranging from cash upon delivery to generally within 45 days to 60 days depending on the customer's creditworthiness and the length of business relationship with the key customers.

AUDITORS

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

On behalf of the Board

Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 22 June 2021

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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

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

OPINION

We have audited the consolidated financial statements of China Putian Food Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that the Group's borrowings of approximately RMB365,035,000 will be matured within one year. These events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditors' Report (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Relating to Going Concern section, we have determined in the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Fair value of biological assets *Refer to Note 3 and 19 to the consolidated financial statements.*	
The Group's biological assets were carried at approximately RMB184,192,000 as at 31 December 2020 with a loss arising from change in fair value for the year ended 31 December 2020 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately RMB66,000. The management of the Group engaged an independent external valuer to assess the fair value of the biological assets as at 31 December 2020. The biological assets were significant to the Group. Management's assessment of the fair value of biological assets involve significant judgements and estimates. The most significant assumptions and valuation parameters used in the valuation include the estimated quantities, weight, age and the related market prices of biological assets applied.	Our procedures in relation to the management's assessment of the fair value of biological assets included: • Evaluating of the independent external valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Discussing with the independent external valuer and challenging the reasonableness of key assumptions and valuation parameters used in the valuation based on our knowledge of the business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used. We found the fair value of the biological assets to be supported by the available evidence.

Independent Auditors' Report (continued)

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

Independent Auditors' Report (continued)

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 22 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	636,715	632,271
Cost of sales		(534,222)	(533,131)
Gross profit		102,493	99,140
Other income and losses, net	7	7,276	14,685
(Loss)/gain arising from change in fair value less costs to sell of biological assets	19	(66)	34,220
Selling and distribution expenses		(36,406)	(31,488)
Administrative expenses		(43,995)	(42,668)
Finance costs	8	(21,792)	(24,747)
Gain arising from fair value change of derivative financial liability	30	—	8,855
Profit before taxation		7,510	57,997
Taxation	9	—	—
Profit for the year	10	7,510	57,997
Other comprehensive income/(loss) for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		15,275	(7,096)
Other comprehensive income/(loss) for the year, net of income tax		15,275	(7,096)
Total comprehensive income for the year		22,785	50,901
Profit for the year attributable to the owners of the Company		7,510	57,997
Total comprehensive income for the year attributable to the owners of the Company		22,785	50,901
Earnings per share			
Basic and diluted (RMB cents per share)	14	0.40	3.07

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	15	552,482	563,128
Right-of-use assets	16	88,259	95,507
Biological assets	19	20,043	18,093
Deposits paid and prepayments for property, plant and equipment	20	12,430	10,000
		673,214	686,728
Current assets			
Inventories	18	74,846	64,745
Biological assets	19	164,149	184,201
Trade receivables	21	139,267	135,221
Deposits paid, prepayments and other receivables	22	194,668	157,727
Pledged bank deposits	23	4,080	3,075
Cash and bank balances	23	5,764	8,841
		582,774	553,810
Current liabilities			
Trade and bills payables	24	18,782	22,774
Accruals, deposits received and other payables	25	56,726	29,156
Borrowings	26	365,035	401,424
Lease liabilities	27	8,114	14,332
Deferred revenue	29	90,355	65,003
		539,012	532,689
Net current assets		43,762	21,121
Total assets less current liabilities		716,976	707,849

Consolidated Statement of Financial Position (continued)

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Other payable	25	–	20,891
Lease liabilities	27	5,385	6,595
Amount due to a shareholder	28	8,498	8,548
Deferred revenue	29	10,667	2,174
		24,550	38,208
Net assets		692,426	669,641
Equity			
Share capital	32	77,894	77,894
Share premium and reserves		614,532	591,747
Total equity		692,426	669,641

Approved by the Board of Directors on 22 June 2021 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Haifang
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital RMB'000	Share premium* RMB'000	Exchange reserve* RMB'000 Note (a)	Statutory reserve* RMB'000 Note (b)	Share options reserve* RMB'000 Note (c)	Other reserve* RMB'000 Note (d)	Retained earnings* RMB'000	Total RMB'000
As at 1 January 2019	77,894	40,982	(15,011)	74,181	25,026	53,015	362,653	618,740
Profit for the year	–	–	–	–	–	–	57,997	57,997
Other comprehensive loss for the year	–	–	(7,096)	–	–	–	–	(7,096)
Total comprehensive (loss)/income for the year	–	–	(7,096)	–	–	–	57,997	50,901
Transfer to statutory reserve	–	–	–	3,412	–	–	(3,412)	–
Lapse of share option	–	–	–	–	(423)	–	423	–
As at 31 December 2019 and 1 January 2020	77,894	40,982	(22,107)	77,593	24,603	53,015	417,661	669,641
Profit for the year	–	–	–	–	–	–	7,510	7,510
Other comprehensive income for the year	–	–	15,275	–	–	–	–	15,275
Total comprehensive income for the year	–	–	15,275	–	–	–	7,510	22,785
Transfer to statutory reserve	–	–	–	2,840	–	–	(2,840)	–
As at 31 December 2020	77,894	40,982	(6,832)	80,433	24,603	53,015	422,331	692,426

* These reserve accounts comprise of the consolidated reserves of approximately RMB614,532,000 (2019: approximately RMB591,747,000) in the consolidated statements of financial position as at 31 December 2020.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

Notes:

(a) Exchange reserve

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

(b) Statutory reserve

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

(c) Share options reserve

The share options reserve represents the share options of the HK$45.4 million (equivalent to approximately RMB37.1 million), and release upon lapse of the options of the HK$14.7 million (equivalent to approximately RMB12.5 million) (Note 31).

(d) Other reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		7,510	57,997
Adjustments for:			
Interest income	7	(313)	(327)
Finance costs	8	21,792	24,747
Allowance for/(reversal of) expected credit loss on accounts receivable, net	10	606	(858)
Gain arising from fair value change of derivative financial liabilities	30	—	(8,855)
Loss on written off/disposal of property, plant and equipment	7	40	113
Depreciation of property, plant and equipment	10	29,351	30,530
Depreciation of right-of-use assets	10	7,138	8,014
Loss/(gain) arising from change in fair value less costs to sell of biological assets	19	66	(34,220)
Operating cash flows before movements in working capital		66,190	77,141
(Increase)/decrease in inventories		(10,101)	3,564
Decrease in biological assets		18,036	71
Increase in trade receivables		(4,652)	(33,789)
Increase in deposits paid, prepayments and other receivables		(36,971)	(31,930)
(Decrease)/increase in trade and bills payables		(3,992)	4,743
Decrease in accruals, deposits received and other payables		(3,847)	(1,802)
Increase in deferred revenue		32,073	64,750
Net cash generated from operating activities		56,736	82,748
Investing activities			
Interest received		60	74
Proceeds from disposal of property, plant and equipment		—	30
Deposit paid for property, plant and equipment		(2,430)	—
Payments of property, plant and equipment		(18,750)	(33,609)
Net cash used in investing activities		(21,120)	(33,505)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Financing activities			
Interest paid		(9,520)	(15,914)
Proceeds from borrowings		131,877	161,805
Repayments of borrowings		(153,252)	(184,255)
Repayments of lease liabilities		(7,308)	(14,426)
(Increase)/decrease in pledged bank deposits		(1,005)	1,200
Proceeds to a shareholder		586	5,638
Repayments to a shareholder		—	(2,434)
Net cash used in financing activities		(38,622)	(48,386)
Net (decrease)/increase in cash and cash equivalents		(3,006)	857
Cash and cash equivalents at beginning of the year		8,841	9,091
Effect of foreign exchange rate changes		(71)	(1,107)
Cash and cash equivalents at the end of the year		5,764	8,841
Cash and cash equivalents at end of the year			
Cash and bank balances	23	5,764	8,841

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021[6]
Amendments to HKAS 12	Deferred tax related to Assets and liabilities arising from a single transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company ("Directors") anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statement

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Going Concern assessment

As at 31 December 2020, the Group's borrowings of approximately RMB365,035,000 will be mature within one year. The ability of the Group's to repay the borrowing or extend the maturity date may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

In the opinion of the Directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

(i) The Group is taking measures to tighten cost control over various costs with an aim to attain profitable and positive cash flow operations;

(ii) The Group has obtained extension from the non-convertible noteholder and non-convertible bondholder to extend the maturity date of non-convertible note of approximately RMB92,580,000 and non-convertible bond of approximately RMB132,413,000 to 31 May 2021;

(iii) The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(iv) The Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, private placements, open offers or rights issue of new shares of the Company; and

(v) The substantial shareholder of the Company, Mr. Cai Chenyang is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statement (Continued)

Going Concern assessment (Continued)

In light of the measures and arrangements as described above and with review to a cash flow forecast of the Group, the Directors have concluded that the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specific/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

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

Separate Financial Statements

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

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

Revenue and other income

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Sales of goods

The Group sells pork products to the wholesale market through wholesalers and directly to customers through its own retail outlets and through internet sales.

For sales of pork products to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 to 90 days upon delivery.

For sales of pork products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income (Continued)

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.

Research and development costs

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

Leasing

Definition of a lease

Lease is a contract contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand- alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

Lease payments included:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liability as a separate line item in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefit costs

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

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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

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

Deferred tax

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

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

Buildings	20 years
Plant and machinery	3–10 years
Motor vehicles	5 years
Office equipment	5 years

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is computed using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense for the reporting period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense for the reporting period in which the reversal occurs.

Biological assets

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

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

Impairment losses of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses of non-financial assets (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9 (including trade receivables, deposit paid, other receivables, loan receivables, time deposits, loan to director and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ("12m") ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12m after the reporting period. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivable.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;

(b) A breach of contract, such as a default or past due event;

(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For collective assessment, the group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bond, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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

Derivative financial instruments

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

Financial liabilities at amortised costs

Financial liabilities (including trade and bills payables, accruals and other payables, borrowings, and convertible bonds) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds

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

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

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

Share options granted to directors and employees

Equity-settled share-based payments to directors and employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in Note 31 to the Group's consolidation financial statements.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Related parties transactions

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

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

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

  (ii) has significant influence over the Group; or

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions (Continued)

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities and contingent assets

Contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. These liabilities can also be present obligation arising from past events that are not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the consolidated financial statements. When changes in the probability of outflows occur so that outflows are probable, they will then be recognised as a provision.

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

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when the inflows of economic benefits are probable. When inflows are virtually certain, assets are recognised.

Segment reporting

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

(a) Impairment of property, plant and equipment and right of use of assets

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

(b) Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses internal credit rating to calculate ECL for the trade receivables which are collectively assessed. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 37(b).

(c) Depreciation and amortization

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

(d) Fair values of biological assets

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

The independent external valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in Notes 19 and 38.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

(e) Net realisable value of inventories

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

5. SEGMENT INFORMATION

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

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

Segment revenue

For the year ended 31 December 2020, revenue from the sales of pork increased to approximately RMB636,715,000 (2019: approximately RMB632,271,000).

Furthermore, revenue of approximately RMB68,870,000 (2019: approximately RMB94,987,000) arose from sales to the Group's largest customer.

Information about the customers

Revenues from customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2019 and 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Customer A	N/A*	64,018
Customer B	68,870	N/A*
Customer C	N/A*	94,987
Customer D	N/A*	71,730

* Revenue from the customer is less than 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

5. SEGMENT INFORMATION (Continued)

Geographical Information

During the years ended 31 December 2019 and 2020, the Group mainly operated in the PRC and all of the Group's revenue was derived from the PRC, and most of non-current assets of the Group were located in the PRC as at 31 December 2019 and 2020. No analysis of the Group's result and assets by geographical area is disclosed.

6. REVENUE

Revenue represents the net invoiced value of goods sold, excludes value added tax or other sales tax. Disaggregation of revenue from contracts with customers by major products is as follows:

	2020 RMB'000	2019 RMB'000
Recognition at a point of time		
— Retail of pork	402,537	368,870
— Wholesale of pork	202,316	232,818
— Retail of frozen pork	20,866	21,833
— Wholesale of commodity hogs	10,996	8,750
	636,715	632,271

7. OTHER INCOME AND LOSSES

	2020 RMB'000	2019 RMB'000
Interest income on:		
— bank deposits	60	74
— amortisation of deferred revenue	253	253
Total interest income	313	327
Loss on written off/disposal of property, plant and equipment	(40)	(113)
Gain on disposal of hogs droppings	—	145
Gain on disposal of biological assets	3,413	2,586
Government grants (Note)	3,111	11,924
Sundry income/(expenses)	479	(184)
	7,276	14,685

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

7. OTHER INCOME AND LOSSES (Continued)

Note: Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of hog farms and slaughterhouse and government tax grant. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statements of profit or loss and comprehensive income when received and no specific conditions are required. Those government grants on the construction of hogs farm and slaughterhouse are recognised as deferred revenue (Note 29) and the other government grants are recognised as other income, the government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interests on:		
— Borrowings wholly repayable within five years	12,210	13,903
— Other interest bearing payable wholly repayable within five years	773	2,296
— Imputed interest charged on convertible bonds (Note 30)	—	3,582
— Interest charged on non-convertible bonds	6,669	3,022
— Interest expenses on lease liabilities	2,140	1,944
	21,792	24,747

9. TAXATION

	2020 RMB'000	2019 RMB'000
Income tax expenses	—	—

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

9. TAXATION (Continued)

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	7,510	57,997
Tax at the applicable income tax rate	3,608	15,750
Tax exemption of subsidiary operating in the PRC	(7,013)	(18,214)
Tax effect of expenses not deductible for tax purpose	3,269	2,072
Tax effect of income not taxable for tax purpose	—	(19)
Tax effect of tax loss not recognised	136	411
Income tax expenses	—	—

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

As at 31 December 2020 and 2019, no unutilised tax loss was approved by Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

Notes:

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

(b) For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits. On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during the year ended 31 December 2019 and 2020.

(c) Pursuant to the Enterprise Income Tax Law ("EIT LAW") of the PRC, the statutory tax rate of Enterprise Income Tax (the "EIT") for both domestic enterprises and foreign investment enterprises is 25%. Income derived by an enterprise from engaging in the raising of livestock and poultry shall be exempted from EIT.

Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得税優惠政策的農產品初加工範圍(試行)(2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家税務總局) on 20 November 2008. Tianyi (Fujian) Modern Agriculture Development Co.,Ltd and Putian (Beijing) Food Limited meet the required standard for preferential PRC EIT treatment. According to the prevailing tax rules and regulations, Tianyi (Fujian) Modern Agriculture Development Co., Ltd and Putian (Beijing) Food Limited operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2019 and 2020.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

9. TAXATION (Continued)

Notes: (Continued)

(d) According to the EIT LAW and implementation of the regulations issued by the State Council, income tax at the rate of 5% is applicable to any dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Tianyi (Fujian) Modern Agriculture Development Co., Ltd. and 莆田市鄉里香黑豬開發有限公司 (Putian Xianglixiang Black Pig Development Co., Ltd.*) are considered as "resident enterprise" by the Chinese government, and those are required to pay withholding tax on the dividend payable to the foreign shareholders and foreign shareholders also have to pay PRC income tax on gain on transfer of shares.

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

10. PROFIT FOR THE YEAR

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

	2020 RMB'000	2019 RMB'000
Staff costs including directors' emoluments (Note 11)		
Salaries and other emoluments	17,197	22,389
Retirement scheme contributions (Note 35)	261	940
Total staff costs	17,458	23,329
Depreciation of property, plant and equipment (Note 15)	29,351	30,530
Depreciation of right of use assets (Note 16)	7,138	8,014
Total depreciation	36,489	38,544
Auditors' remuneration		
— Audit services	900	1,000
— Non-audit services	9	16
Allowance for /(reversal of) expected credit loss on trade receivables, net (Note 37)	606	(858)
Expenses relating to short-term lease	1,847	2,866

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11. DIRECTOR' EMOLUMENTS

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

	2020 RMB'000	2019 RMB'000
Directors' fees	1,813	1,307
Other emoluments:		
Salaries, allowances and benefits in kind	553	441
Retirement scheme contributions	11	25
	564	466
	2,377	1,773

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2020				
Executive directors:				
Mr. Cai Chenyang (Note (a))	1,067	240	—	1,307
Mr. Cai Haifang	267	313	11	591
Ms. Ma Yilin	267	—	—	267
Non-executive directors:				
Mr. Cheng Lian	—	—	—	—
Mr. Cai Zhiwei	53	—	—	53
Independent non-executive directors:				
Mr. Cai Zirong	53	—	—	53
Mr. Xue Chaochao	53	—	—	53
Mr. Wang Aiguo	53	—	—	53
	1,813	553	11	2,377

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11. DIRECTOR' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2019				
Executive directors:				
Mr. Cai Chenyang (Note (a))	594	368	2	964
Mr. Cai Haifang	264	73	23	360
Ms. Ma Yilin	264	—	—	264
Non-executive directors:				
Mr. Cheng Lian	—	—	—	—
Mr. Cai Zhiwei	26	—	—	26
Independent non-executive directors:				
Mr. Cai Zirong	53	—	—	53
Mr. Xue Chaochao	26	—	—	26
Mr. Wu Shiming	27	—	—	27
Mr. Wang Aiguo	53	—	—	53
	1,307	441	25	1,773

Notes:

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

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

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

The remuneration on shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 December 2020 and 2019 respectively. None of the directors agreed to waive or waived any emoluments during the year (2019: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

12. EMPLOYEES EMOLUMENTS

Five Highest Paid Individual

The five highest paid individuals during the year included one director (2019: one) whose emolument were disclosed in Note 11. The detail of the aggregate emoluments of the remaining four (2019: four) highest paid individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, bonuses and other emoluments	1,902	2,169
Retirement scheme contribution	235	47
	2,137	2,216

The emoluments of the four (2019: four) individuals with the highest emoluments are within the following band are as follows:

	2020	2019
Nil to RMB844,000 (equivalents Nil to HK$1,000,000)	4	4

During the year ended 31 December 2020, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the reporting period (2019: Nil).

13. DIVIDENDS

Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Earnings

	2020 RMB'000	2019 RMB'000
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	7,510	57,997

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,889,000	1,889,000

The calculation of basic earnings per share for the year is based on the earnings attributable to the owners of the Company for the year ended 31 December 2020 of approximately RMB7,510,000 (2019: approximately RMB57,997,000) and the weighted average number of approximately 1,889,000,000 (2019: 1,889,000,000) ordinary shares in issue for the year ended 31 December 2020.

Basic and diluted earnings per share for the year ended 31 December 2020 were the same because of no expectation for the exercise of the Company's outstanding share options as the exercise price of share options were higher than the average market price for the years ended 31 December 2020.

Basic and diluted earnings per share for the year ended 31 December 2019 were the same because of no expectation for the exercise of the Company's outstanding share options as the exercise price of share options were higher than the average market price for the years ended 31 December 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2019	397,899	33,774	3,346	6,822	223,399	665,240
Additions	1,768	2,621	33	52	29,135	33,609
Disposal	—	—	—	(521)	—	(521)
Exchange alignment	—	—	13	12	—	25
As at 31 December 2019 and 1 January 2020	399,667	36,395	3,392	6,365	252,534	698,353
Additions	1,150	3,108	—	26	14,466	18,750
Written off	—	—	—	(338)	—	(338)
Exchange alignment	—	—	(37)	(8)	—	(45)
As at 31 December 2020	400,817	39,503	3,355	6,045	267,000	716,720
Accumulated depreciation						
As at 1 January 2019	96,934	23	2,157	5,938	—	105,052
Provided for the year	22,983	6,888	357	302	—	30,530
Disposal	—	—	—	(378)	—	(378)
Exchange alignment	—	—	13	8	—	21
As at 31 December 2019 and 1 January 2020	119,917	6,911	2,527	5,870	—	135,225
Provided for the year	22,388	6,747	118	98	—	29,351
Written off	—	—	—	(298)	—	(298)
Exchange alignment	—	—	(35)	(5)	—	(40)
As at 31 December 2020	142,305	13,658	2,610	5,665	—	164,238
Net carrying amounts						
As at 31 December 2020	258,512	25,845	745	380	267,000	552,482
As at 31 December 2019	279,750	29,484	865	495	252,534	563,128

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) For the additions of property, plant and equipment as at 31 December 2020, the amount included approximately RMB18,750,000 was settled by cash (2019: approximately RMB33,609,000) and approximately RMBNil was settled by deposit (2019: Nil).

(b) Certain property, plant and equipment with net book amount of approximately RMB68,583,000 as at 31 December 2020 (2019: approximately RMB77,300,000), are pledged as collaterals for the Group's bank borrowings and lease liabilities.

16. RIGHT-OF-USE ASSETS

The lease terms of the Group's plant and machinery, motor vehicles, buildings and land range from 1⅔–30 years (2019: 1⅔–30 years) in year ended 31 December 2020. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term. Their useful lives are as follows:

Leased plant and machinery	3–5 years
Leased motor vehicles	3–5 years
Leased buildings	1⅔–3 years
Leased land	29–30 years

	Leased plant and machinery RMB'000	Leased motor vehicles RMB'000	Leased buildings RMB'000	Leased land RMB'000	Total RMB'000
Cost					
As at 1 January 2019	32,954	8,678	4,613	117,049	163,294
Exchange alignment	—	—	99	—	99
As at 31 December 2019 and 1 January 2020	32,954	8,678	4,712	117,049	163,393
Exchange alignment	—	—	(274)	—	(274)
As at 31 December 2020	32,954	8,678	4,438	117,049	163,119

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

16. RIGHT-OF-USE ASSETS (Continued)

	Leased plant and machinery RMB'000	Leased motor vehicles RMB'000	Leased buildings RMB'000	Leased land RMB'000	Total RMB'000
Accumulated depreciation					
As at 1 January 2019	22,088	8,088	—	29,672	59,848
Change for the year	1,790	140	1,451	4,633	8,014
Exchange alignment	—	—	24	—	24
As at 31 December 2019 and 1 January 2020	23,878	8,228	1,475	34,305	67,886
Change for the year	1,361	16	1,580	4,181	7,138
Exchange alignment	—	—	(164)	—	(164)
As at 31 December 2020	25,239	8,244	2,891	38,486	74,860
Net carrying amounts					
As at 31 December 2020	7,715	434	1,547	78,563	88,259
As at 31 December 2019	9,076	450	3,237	82,744	95,507

Lease liabilities of RMB13,499,000 (2019: RMB20,927,000) are recognised with related right-of-use assets of RMB16,952,000 (2019: RMB18,878,000) as at 31 December 2020. The lease agreements amount for pledged do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

In addition, the Group owns a factory and staff quarters located in the People's Republic of China (the "PRC"). The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land component of these owned properties is presented separately only if the payments made can be allocated reliably.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

17. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place and date of incorporation	Principal place of operation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the Company Direct %	Indirect %	Principal activities
China Putian Investment Limited	The BVI, 13 November 2013	Hong Kong	USD 1	100	–	Investment holding
Wellname Investments Limited	The BVI, 13 January 2011	Hong Kong	USD1,000	100	–	Investment holding
China Modern Agriculture Holding Limited	Hong Kong, 13 August 2008	Hong Kong	HK$10,000	–	100	Investment holding
Tianyi (Fujian) Modern Agriculture Development Co., Ltd	The PRC, 26 April 2005 (Company Limited)	The PRC	USD115,000,000	–	100	Slaughtering and processing of livestock, production and sales of meat products
Victoria Top Limited	Hong Kong, 23 February 2011	Hong Kong	HK$1	–	100	Dormant
China Putian Food Development Company Limited	Hong Kong, 3 December 2013	Hong Kong	HK$1	–	100	Retail and wholesale of pork product
Putian (Beijing) Food Limited*	The PRC, 14 April 2014 (Company Limited)	The PRC	RMB100,000,000	–	100	Wholesale pre-packaged food, organisation of exhibition events, technology development, and consultancy services
Fujian Putian Food Co. Limited*	The PRC, 9 October 2014 (Company Limited)	The PRC	RMB20,000,000	–	100	Production, processing and sale of frozen product; research and development on food production technology
Putian Hebei Farming Development Co. Limited*	The PRC, 9 September 2014 (Company Limited)	The PRC	RMB60,000,000	–	100	Farming of cereals and vegetables, breeding of Hogs management of and sales of Production and sales of agricultural products
Putian Xianglixiang Black Pig Development Co., Ltd.* (the "Putian Xianglixiang")	The PRC, 28 February 2005 (Company Limited)	The PRC	RMB28,000,000	–	100	Farming of hogs and sales of production and sales of agricultural products
Putian (Shanghai) Food Limited*	The PRC, 12 July 2017 (Company Limited)	The PRC	RMB2,000,000	–	100	Wholesale pre-packaged food, organisation of exhibition events, technology development, and consultancy services
Putian (China) Corporation Limited* (Note (i))	The PRC, 11 April 2018 (Company Limited)	The PRC	Nil	100	–	Financial investment management platform and guarantee of the Group in PRC

* For identification purpose only.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

17. PRINCIPAL SUBSIDIARIES (Continued)

Note:

(i) The registered capital of Putian (China) Corporation Limited is RMB100,000,000. As at 31 December 2020, the Group had not injected (2019: nil) any capital to Putian (China) Corporation Limited.

18. INVENTORIES

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

	2020 RMB'000	2019 RMB'000
Hogs feeds	48,002	32,270
Raw materials (Note)	14,781	14,352
Frozen pork products	12,063	18,123
	74,846	64,745

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

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

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	525,299	487,827

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

19. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	Commodity hogs RMB'000	Total RMB'000
As at 1 January 2019	18,883	149,262	168,145
Increase due to purchases	3,422	297,410	300,832
Increase due to raising (Feeding cost and others)	9,485	174,275	183,760
Transfer	(9,584)	9,584	—
Decrease due to retirement and deaths	(114)	(9,064)	(9,178)
Decrease due to sales	(850)	(474,635)	(475,485)
Change in fair value less costs to sell	(3,149)	37,369	34,220
As at 31 December 2019 and 1 January 2020	18,093	184,201	202,294
Increase due to purchases	5,005	364,006	369,011
Increase due to raising (Feeding cost and others)	9,628	134,591	144,219
Transfer	(10,639)	10,639	—
Decrease due to retirement and deaths	(480)	(11,600)	(12,080)
Decrease due to sales	(2,584)	(516,602)	(519,186)
Change in fair value less costs to sell	1,020	(1,086)	(66)
As at 31 December 2020	20,043	164,149	184,192

The numbers of biological assets are as follows:

	2020	2019
Breeder hogs	2,152	1,949
Commodity hogs	49,360	56,973
	51,512	58,922

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

19. BIOLOGICAL ASSETS (Continued)

Analysed for reporting purposes as:

	2020 RMB'000	2019 RMB'000
Current assets	164,149	184,201
Non-current assets	20,043	18,093
	184,192	202,294

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

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

The Group is exposed to a number of risks related to biological assets and exposed to the following operation risks:

(a) Regulatory and environmental risks

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

(b) Climate, disease and other natural risks

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

The Qualification of Valuer

The Group's biological assets were independently valued by external valuer, Asset Appraisal Limited (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation include professional member of the Royal Institution of Chartered Surveyors (the "MRICS"), professional member of the Hong Kong Institute of Surveyors (the "MHKIS"), professional member of the China Institute of Real Estate Appraisal (the "CIREA"), charterholder of the Chartered Financial Analyst Institute (the "CFA") and member of the Global Association of Risk Professional (the "FRM").

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

19. BIOLOGICAL ASSETS (Continued)

The Qualification of Valuer (Continued)

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors are member organisations of the International Valuation Standards Council (the "IVSC") which encourages their respective members to adopt and use the International Valuation Standards (including relevant standards on Biological Asset Valuation) laid down by the IVSC.

Based on the above qualification and various experiences of the Valuer and/or its members in providing biological asset valuation services to various companies listed on the Stock Exchange and other stock exchanges in the United States, which engage in the business of husbandry and agriculture industry, the directors are of the view that the Valuer is competent to determine the fair value of the Group's biological assets.

Limiting conditions and major assumptions

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

The following principal assumptions have been adopted by an independent external valuer:

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

19. BIOLOGICAL ASSETS (Continued)

Limiting conditions and major assumptions (Continued)

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

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

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

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

20. DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT

	2020 RMB'000	2019 RMB'000
Deposits paid for property, plant and equipment (Note)	12,430	10,000

Note: The deposits for property, plant and equipment as at 31 December 2020 and 2019 were mainly for the purchase of equipment for upgrading of production facilities in the Group's slaughterhouse and breeding farm.

21. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	139,983	135,331
Less: Allowances for credit loss	(716)	(110)
	139,267	135,221

The fair values of trade receivables approximate their carrying amount.

As at 1 January 2019, there were no trade receivables from contracts with customers.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

21. TRADE RECEIVABLES (Continued)

The Group normally allows a credit period ranging from cash upon delivery to 60–90 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 years ended 31 December 2020 and 2019 is as follows:

	2020 RMB'000	2019 RMB'000
Within 30 days	45,908	35,730
31 to 90 days	45,033	88,915
91 to 180 days	47,257	10,681
Over 180 days	1,785	5
	139,983	135,331

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 37(b).

22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Advance to staff	5,816	4,662
Other receivables (Note (a))	29,289	28,613
Other deposits paid and prepayments (Note (b))	159,563	124,452
	194,668	157,727

Notes:

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

(b) During the year ended 31 December 2020, the amount was mainly for the acquisition of breeder hogs and parental breeder hogs of approximately RMB110,676,000 (2019: approximately RMB69,803,000). During the year ended 31 December 2020, the deposits paid of approximately RMB24,948,000 (2019: approximately RMB40,869,000) which mainly related to prepayments paid to advertisement companies for marketing promotion.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Cash and Cash equivalents compose:

	2020 RMB'000	2019 RMB'000
Cash and bank balances	5,764	8,841
Pledged bank deposits	4,080	3,075
	9,844	11,916

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less and carry interest at the prevailing market rates which at 1.35% per annum during the reporting period (2019: 1.55%). The bank balances are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances at the end of the reporting period were amounts in RMB of approximately RMB3,999,000 (2019: approximately RMB4,757,000) which are not freely convertible into other currencies.

Reconciliation of liabilities arising from financing activities

	Derivative financial liability RMB'000 (Note 30)	Amount due to a shareholder RMB'000 (Note 28)	Borrowings RMB'000 (Note 26)	Convertible bonds RMB'000 (Note 30)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
As at 1 January 2019	8,812	5,136	280,594	137,850	35,276	467,668
Financing cash flow, net	—	3,204	(45,253)	—	(16,370)	(58,419)
Foreign exchange adjustment	43	208	4,750	680	77	5,758
Other non-cash movement	(8,855)	—	161,333	(138,530)	1,944	15,892
Net debt as at 31 December 2019 and 1 January 2020	—	8,548	401,424	—	20,927	430,899
Financing cash flow, net	—	586	(36,696)	—	(9,448)	(45,558)
Foreign exchange adjustment	—	(636)	(15,014)	—	(120)	(15,770)
Other non-cash movement	—	—	15,321	—	2,140	17,461
Net debt as at 31 December 2020	—	8,498	365,035	—	13,499	387,032

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

24. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	5,182	12,524
Bills payables	13,600	10,250
	18,782	22,774

The ageing analysis of trade payables is as follows:

	2020 RMB'000	2019 RMB'000
Within 30 days	1,118	4,067
31 to 90 days	624	3,359
91 to 180 days	3,440	5,098
	5,182	12,524

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

The Group normally obtains credit terms within 60 days from its suppliers (2019: 60 days). The bills payables are matured within twelve months (2019: twelve months) from the end of the reporting period.

The bills payable are secured by pledged bank deposits of approximately RMB4,080,000 (2019: RMB3,075,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Deposits received	1,241	990
Other payables for property, plant and equipment	538	847
Accruals and other payables (Note (i))	54,947	48,570
	56,726	50,047
Less non-current portion — other payables (Note (ii))	—	(20,891)
Accrual, deposit received and other payable — current portion	56,726	29,156

Notes:

(i) As at 31 December 2020, accruals and other payables mainly comprise interest payable of approximately RMB23,646,000 (2019: RMB14,824,000).

(ii) The Group's other payables in non-current portion are non-secured, interest free and repayable over 12 months.

26. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	2020 RMB'000	2019 RMB'000
Borrowing — secured	355,410	378,424
Borrowing — unsecured	9,625	23,000
	365,035	401,424

The borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount repayable:		
On demand or within one year	365,035	401,424

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

26. BORROWINGS (Continued)

	2020 RMB'000	2019 RMB'000
Borrowings at:		
— Bank borrowings at floating interest rate	130,417	138,958
— Other unsecured borrowings at fixed interest rate	9,625	23,000
— Non-convertible note at fixed interest rate	92,580	98,536
— Non-convertible bond at fixed interest rate	132,413	140,930
	365,035	401,424

As at 31 December 2020, the non-convertible bond of approximately RMB132,413,000 was secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui, as summarized in the Company's announcement dated 28 September 2016. Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group, was deemed to be interested in 816,000,000 ordinary shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.

The borrowings were denominated in RMB and Hong Kong dollars. The borrowing of approximately RMB233,410,000 was denominated in Hong Kong dollars for the year ended 31 December 2020 (2019: approximately RMB107,494,000).

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

	2020 %	2019 %
Floating rate	3.35–5.13	3.30–6.09
Fixed rate	5.00–11.63	4.35–10.00

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

26. BORROWINGS (Continued)

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

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	68,583	77,300
Right-of-use assets	16,952	17,428
	85,535	94,728

As at 31 December 2020, the Group's bank borrowings of RMB117,000,000 (2019: approximately RMB130,000,000) were guaranteed by the Company, Company's director, Mr. Cai Chenyang and pledged assets of the subsidiary, Tianyi (Fujian) Modern Agriculture Development Co., Ltd.

As at 31 December 2020, the Group's lease liabilities of approximately RMB6,376,000 (2019: RMB12,518,000) was secured by the pledged assets of the subsidiary, Tianyi (Fujian) Modern Agriculture Development Co., Ltd.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

27. LEASE LIABILITIES

The Group's lease liabilities arise from the leasing of plant and machinery, motor vehicles, buildings and land with a fixed lease term of 1⅔–30 years (2019: 1⅔–30 years) as at 31 December 2020. The weighted average incremental borrowing rates applied by the Group range from 5.65% to 7.55%.

The Group had lease liabilities repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	8,114	14,332
After 1 year but within 2 years	554	1,194
After 2 years but within 5 years	556	935
More than 5 years	4,275	4,466
	5,385	6,595
	13,499	20,927

The Group's leases in respect of approximately RMB13,499,000 (2019: approximately RMB20,927,000) are secured by the lessor's title to the leased assets. The Group's lease liabilities are denominated in Hong Kong dollars and RMB, being the functional currency of the relevant group entity.

28. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest-free and are not repayable within twelve months.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

29. DEFERRED REVENUE

	2020 RMB'000	2019 RMB'000
Arising from government grant (Note)	101,022	67,177

Analysed for reporting purposes as:

	2020 RMB'000	2019 RMB'000
Current liabilities	90,355	65,003
Non-current liabilities	10,667	2,174
	101,022	67,177

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, government grants on the construction of hog farms and slaughterhouse and government tax grant. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statements of profit or loss and comprehensive income when received and no specific conditions are required. Those government grants on the construction of hogs farm and slaughterhouse are recognised as deferred revenue and the other government grants are recognised as other income. The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants. During the year ended 31 December 2020 and 2019, the Group received a government grant amounting approximately RMB25,588,000 and RMB64,750,000, respectively in relation to the reallocation of certain property, plant and equipment of the Group. Up to the date of this report, the reallocation has not commenced and no deferred income was recognised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

30. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITY

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

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

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

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

The Convertible Bond due 2018 was due on 15 October 2018. On 15 October 2018, the Company obtained the approval from Convertible Bond holder to extend the maturity date of the Convertible Bond for no more than six months from 15 October 2018.

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.

30. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITY (Continued)

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

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

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

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	**Total** RMB'000
As at 1 January 2019	137,850	8,812	146,662
Interest charged (Note 8)	3,582	—	3,582
Coupon interest payable	(3,582)	—	(3,582)
Change in fair value	—	(8,855)	(8,855)
Transferred to non-convertible bond (Note 26)	(138,530)	—	(138,530)
Exchange alignment	680	43	723
As at 31 December 2019, 1 January 2020 and 31 December 2020	—	—	—

Net cash flow for issue/redemption of convertible bonds and non-convertible note is RMB Nil during the year ended 31 December 2019.

On 13 October 2016, Zhan Rui, a controlling shareholder of the Company executed a deed of share charge (the "Share Charge Deed") in favour of the Investor pursuant to which Zhan Rui shall charge as beneficial owner by way of fixed charge all its right, title and interest from time to time in and to the 816,000,000 shares as continuing security for the payment and discharge of all the Company's and Zhan Rui's obligation and liabilities due, owing or incurred by it to the Investor under or pursuant to, among others, the Subscription Agreement 1, the bond instrument constituting the Convertible Bonds due 2018, and the Share Charge Deed.

As at 17 July 2019, the Convertible Bond due 2018 has been matured and transferred to non-convertible bond.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

30. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITY (Continued)

Fair value of convertible bonds and assumptions

The estimate of fair values of the Convertible Bond due 2018 granted were calculated by the Valuer using Binomial Option Pricing Model. The significant assumptions and inputs used in computing the fair value are based on the management's best estimate. The significant inputs into the model were spot share price at the year ended, time to maturity, expected volatilities, dividend and effective interest rate.

The value of the convertible bonds calculated using the Binomial Option Pricing Model are subject to the fundamental limitations of the model and the uncertainties of those significant assumptions and inputs. Any change to those assumptions and inputs may result in changes in the fair value of the convertible bonds.

Assumptions and inputs adopted in the valuation are listed below:

	Convertible Bond due 2018 on 13 October 2016
Share price at grant date/redemption date (HK$)	0.485
Exercise price (HK$)	0.55
Expected volatility (Note (a))	57.78%
Dividend yield	Nil
Risk-free interest rate (Note (b))	0.456%
Life of Convertible Bond	2 years

Notes:

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

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

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

31. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

31. SHARE OPTION SCHEME (Continued)

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

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. 80,000,000 shares with par value of HK$0.1 each (equivalent to 160,000,000 shares with par value of HK$0.05 each after the share 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"), which represent 10% of the total number of issued shares as at 29 June 2015, the date on which the scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting of the Company). Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (i.e. 480,000,000 Shares which represent 30% of the issued share capital as at the date of this annual report).

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

31. SHARE OPTION SCHEME (Continued)

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

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

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

As at 31 December 2020 and 2019, the number of shares available for issue under the Share Option Scheme were 98,200,000 ordinary shares, representing 5.2% 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) under the Share Option Scheme of which options to subscribe for 79,840,000 ordinary shares with par value of HK$0.1 each (i.e. 159,680,000 ordinary shares with par value of HK$0.05 each after adjustment as a result of the Share Subdivision) were accepted by the grantees. The exercise price of those share options is HK$0.595 per share with par value of HK$0.05 each after adjustment as a result of the Share Subdivision. The closing price of the share (with par value of HK$0.1 each) immediately before the date of grant is HK$1.16 (i.e. HK$0.58 after adjustment as a result of the Share Subdivision).

Options series	Remained number	Grant date	Exercisable date	Expiry date	Exercise price HK$
(1) Granted on 31 March 2015	32,520,000	31/3/2015	31/12/2015	30/3/2025	0.595
(2) Granted on 31 March 2015	42,580,000	31/3/2015	31/12/2016	30/3/2025	0.595
(3) Granted on 31 March 2015	45,740,000	31/3/2015	31/12/2017	30/3/2025	0.595

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

31. SHARE OPTION SCHEME (Continued)

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

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

Grantee	Exercisable period	Exercisable price per shares (HK$)	Balance as at 1 January 2019 ('000)	Lapsed during the year ('000)	Balance as at 31 December 2019 ('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	5,020	(320)	4,700
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	8,560	(660)	7,900
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	9,540	(800)	8,740
			99,980	(1,780)	98,200

Grantee	Exercisable period	Exercisable price per shares (HK$)	Balance as at 31 December 2019 and 1 January 2020 ('000)	Lapsed during the year ('000)	Balance as at 31 December 2020 ('000)
— 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**	**4,700**	**—**	**4,700**
	(2) 31 Dec 2016 to 30 Mar 2025	**0.595**	**7,900**	**—**	**7,900**
	(3) 31 Dec 2017 to 30 Mar 2025	**0.595**	**8,740**	**—**	**8,740**
			98,200	**—**	**98,200**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

31. SHARE OPTION SCHEME (Continued)

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

Notes:

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

(b) The exercise price of the Share Options was subject to adjustments in the case of capitalisation 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.

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:

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

Notes:

(a) Fair value of all the share options granted at 31 March 2015 were HK$49,120,000 equivalent to approximately RMB38,697,000. After 59 staffs declined the share options to subscribe for a total of 61,800,000 shares, the adjusted fair value of all the share options granted and accepted was HK$30,676,000 equivalent to approximately RMB24,602,000. As the vesting period has finished during the year 31 December 2017, The Group did not recognize equity-settled share-based payment expense in the profit and loss for the year ended 31 December 2019 (2018: Nil).

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

32. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB$'000
Authorised:			
As at 1 January 2019 and 31 December 2019, 1 January 2020, 31 December 2020 ordinary shares of HK$0.05 each	**80,000,000,000**	**4,000,000**	**3,240,009**
Issued and fully paid:			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 ordinary shares of HK$0.05 each	**1,889,000,000**	**94,450**	**77,894**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment in subsidiaries		81	81
Property, plant and equipment		1,540	3,149
		1,621	3,230
Current assets			
Amounts due from subsidiaries		249,451	269,640
Deposits paid and prepayments		450	478
Cash and bank balances		474	400
		250,375	270,518
Current liabilities			
Amount due to a subsidiary		6,218	3,538
Accruals and other payables		28,481	17,915
Lease liability		1,447	1,457
Borrowing		233,410	248,424
		269,556	271,334
Net current liabilities		(19,181)	(816)
Total assets less current liabilities		(17,560)	2,414
Non-current liability			
Lease liability		250	1,807
Amount due to a shareholder		9,870	10,707
		10,120	12,514
Net liabilities		(27,680)	(10,100)
Equity			
Share capital	32	77,894	77,894
Share premium and reserves	34	(105,574)	(87,994)
Total equity		(27,680)	(10,100)

Approved by the Board of Directors on 22 June 2021 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Haifang
Executive Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

34. RESERVES OF THE COMPANY

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2019	40,982	25,026	(141,862)	(75,854)
Loss and total comprehensive loss for the year	—	—	(12,140)	(12,140)
Lapse of share options	—	(423)	423	—
As at 31 December 2019 and 1 January 2020	40,982	24,603	(153,579)	(87,994)
Loss and total comprehensive loss for the year	—	—	(17,580)	(17,580)
As at 31 December 2020	40,982	24,603	(171,159)	(105,574)

35. RETIREMENT BENEFIT PLANS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 (2019: HK$:1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (2019: HK$1,500) (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

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

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

The total costs charged to profit or loss of approximately RMB261,000 (2019: approximately RMB940,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of interest-bearing borrowings, amount due to a shareholder, lease liabilities, convertible bond and equity (comprising issued share capital, share premium, reserves and retained earnings).

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

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

	2020 RMB'000	2019 RMB'000
Total debts (Note)	387,032	430,899
Total equity	692,426	669,641
Gearing ratio (%)	55.9%	64.3%

Note: Total debts comprise borrowings, lease liabilities, and amount due to a shareholder are detailed in Notes 26, 27, 28 respectively.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
At amortised cost (including cash and bank balances)		
— Trade receivables	139,267	135,221
— Deposits paid and other receivables	37,915	36,682
— Pledged bank deposits	4,080	3,075
— Cash and bank balances	5,764	8,841
Financial liabilities		
Amortised cost		
— Trade and bills payables	18,782	20,774
— Accruals, deposits received and other payables	56,726	50,047
— Amount due to a shareholder	8,498	8,548
— Borrowings	365,035	401,424
— Lease liabilities	13,499	20,927

(b) Financial risk management objectives and policies

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables, deposit paid and other receivable. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivable, deposit paid balances are monitored on an ongoing basis and overdue balances are followed up by senior management.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2020.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging for billing. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2020, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the Group's revenue is received from individual customers in related to wholesale and retail business and are transacted in cash or credit. The Group's trade receivables arise from wholesale and retail business of pork products . As at the end of the year, the top three debtors and largest debtor accounted for approximately 65.9% and 15.5% (2019: approximately 48.6% and 20.0%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade receivables based on the historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider the Group's credit risk of these receivables to be low except for the impaired trade receivable disclosed in the below.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using an internal credit rating. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal Credit rating	Description	Trade Receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write off	There is evidence indicating that the debtor is in financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Low risk	0.35%	138,198	481
Doubtful	13.18%	1,785	235
Loss	100%	—	—
		139,983	716

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Low risk	0.05%	124,645	68
Doubtful	0.35%	10,681	37
Loss	100%	5	5
		135.331	110

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The closing loss allowances for trade receivables are as follows:

	Not Credit-impaired RMB'000	Credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	715	253	968
Impairment losses reversed, net	(610)	(248)	(858)
As at 31 December 2019 and 1 January 2020	105	5	110
Impairment losses recognised/(reversed), net	611	(5)	606
As at 31 December 2020	716	–	716

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60–90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Directors estimate the amount of ECL related to deposits paid and other receivables is immaterial to the Group.

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately RMB1,825,000 (2019: approximately RMB1,168,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Currency risk

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

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

Business risk

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

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

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

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

	Weighted Average Interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020							
Non-derivative financial liabilities							
Trade payables and bills payables	–	18,782	–	–	–	18,782	18,782
Accruals, deposits received and other payables	–	56,726	–	–	–	56,726	56,726
Amount due to a shareholder	–	–	8,498	–	–	8,498	8,498
Borrowings	5.32	384,441	–	–	–	384,441	365,035
Lease liabilities	6.32	8,704	925	1,513	7,188	18,330	13,499
		468,653	9,423	1,513	7,188	486,777	462,540

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Weighted Average Interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019							
Non-derivative financial liabilities							
Trade payables and bills payables	—	22,774	—	—	—	22,774	22,774
Accruals, deposits received and other payables	—	29,156	20,891	—	—	50,047	50,047
Amount due to a shareholder	—	—	8,548	—	—	8,548	8,548
Borrowings	5.88	423,723	—	—	—	423,723	401,424
Lease liabilities	6.32	15,437	1,615	1,960	7,681	26,693	20,927
		491,090	31,054	1,960	7,681	526,019	503,720

38. FAIR VALUE MEASUREMENT

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determine with reference to quoted market bid prices and ask prices respectively; and
- the fair value of the financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

38. FAIR VALUE MEASUREMENT (Continued)

Fair value measurements recognised in the consolidated statement of financial position

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Biological assets				
— breeder hogs	—	20,043	—	20,043
— commodity hogs	—	164,149	—	164,149
	—	184,192	—	184,192

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

38. FAIR VALUE MEASUREMENT (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Biological assets				
— breeder hogs	—	18,093	—	18,093
— commodity hogs	—	184,201	—	184,201
	—	202,294	—	202,294

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

Type	Fair value hierarchy	Valuation technique and key input	Significant observable input
Biological hogs			
Breeder hogs and commodity hogs (Note 19)	Level 2	The fair value less costs to sell of the breeder hogs and porkers are determined using market approach with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price of pigs (RMB 35.7/kg) (2019: RMB 44.9/kg) (Note (a)) • Prevailing market price of piglets/ weaners (RMB124.5/kg) (2019: RMB101.8/kg) (Note (b)) • Prevailing market price of boars (RMB12,019/head) (2019: RMB10,524/head) (Note (c)) • Prevailing market price of sow (RMB9,134/head) (2019: RMB9,214/head) (Note (d))

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

38. FAIR VALUE MEASUREMENT (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

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

Notes:

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

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

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

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

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

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

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

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

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

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into transactions with related parties which, in the opinion of directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Key management personnel remuneration

	2020 RMB'000	2019 RMB'000
Short term employee benefits	2,283	2,360
Retirement benefits schemes contributions	48	65
	2,331	2,425

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

39. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) As at 31 December 2020, the bank borrowings of approximately RMB122,000,000 (2019: approximately RMB130,000,000) were secured by pledge/charge over the Group's property, plant and equipment and land with total carrying value of approximately RMB85,535,000 (2019: approximately RMB94,728,000), and secured by guarantees provided by the Company and Mr. Cai Chenyang, bank borrowing of RMB8,416,000 (2019: RMB8,958,000) was only secured by guarantee of Mr. Cai Chenyang, Mr. Cai Chenyang was chairman of the Board, chief executive officer, executive director and controlling shareholder of the Company.

(c) As at 31 December 2020, the obligations of the Company in relation to the non-convertible bond of approximately RMB132,413,000 (2019: approximately RMB140,930,000) and Note of approximately RMB92,580,000 (2019: approximately RMB98,536,000) were secured by, among others, 816,000,000 (2019: 816,000,000) ordinary shares of the Company by Zhan Rui, as summarized in the Company's announcement dated 28 September 2016. Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group, was deemed to be interested in 816,000,000 ordinary shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.

40. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	65,544	69,024

41. SUBSEQUENT EVENTS

The Group has obtained an extension from the non-convertible noteholder and non-convertible bondholder to extend the maturity date of the non-convertible note of approximately RMB92,580,000 and non-convertible bond of approximately RMB132,413,000 to 31 May 2022.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 June 2021.

Five Years Financial Summary

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

RESULTS

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	636,715	632,271	517,257	537,079	599,683
Cost of sales	(534,222)	(533,131)	(462,521)	(439,754)	(470,674)
Gross profit	102,493	99,140	54,736	97,325	129,009
Other income and losses	7,276	14,685	34,199	3,289	(2,317)
Gain/(loss) arising from change in fair value less costs to sell of biological assets	(66)	34,220	8,990	15,904	2,024
Selling and distribution expenses	(36,406)	(31,488)	(34,327)	(39,035)	(26,236)
Administrative expenses	(43,995)	(42,668)	(44,423)	(42,986)	(37,748)
Finance costs	(21,792)	(24,747)	(53,542)	(48,965)	(46,592)
Equity-settled share-based payment expense	—	—	—	(3,764)	(9,048)
Gain arising from fair value change of derivative financial liability	—	8,855	2,239	26,132	9,077
Profit/(loss) before taxation	7,510	57, 997	(32,128)	7,900	18,169
Taxation	—	—	—	—	—
Profit/(loss) for the year and attributable to owners of the Company	7,510	57,997	(32,128)	7,900	18,169

ASSETS AND LIABILITIES

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	1,255,988	1,240,538	1,138,819	1,087,971	1,029,791
Total liabilities	(563,562)	(570,897)	(520,079)	(457,861)	(429,064)
Equity attributable to owners of the Company	692,426	669,641	618,740	630,110	600,727

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