

Aquatic Foods Group Plc

(“Aquatic Foods” or the “Group” or the “Company”)

Interim Results

Aquatic Foods Group Plc (AIM: AFG), a leading Chinese marine foods and seafood processor and producer, supplying to export and local markets, today announces its unaudited results for the six months ended 30 June 2015.

Financial Highlights

- Revenue increased by 26% to RMB 444 million (H1-2014: RMB 353 million)
- Gross profit margins across all product categories averaged 33%
- Profit before tax increased 29% to RMB 102 million (H1-2014: RMB 79 million)
- Net profit after tax increased by 28% to RMB 78 million (H1-2014: RMB 61 million)
- Earnings per share of RMB 0.69 (H1-2014: RMB 0.61)
- Cash as at 30 June 2015 of RMB 367 million, including net IPO proceeds of RMB 79 million (as at 30 June 2014: RMB 167 million)
- Maiden Interim dividend of 0.7 pence per share declared
- 51 regional distributors as at 30 June 2015 (H1-2014: 50)

*The illustrative exchange rate as at 30 June 2015 was 1 GBP: 9.8 RMB

Li Xianzhi, Chief Executive of Aquatic Foods Group, commented: “The Board is pleased with the progress that the Group has made and the positive performance during the first half of the year, which shows a considerable increase in revenue and our continued strength in maintaining our gross profit margins.

“Aquatic Foods adopts the highest standards for quality, safety and sustainability and is committed to produce high-end, pre-processed seafood products which provides confidence to both local PRC and overseas suppliers alike. The Company’s current extensive distribution network has put us in a very strong trading position and the Board is confident that despite current slowdown of the Chinese economy, the Group will continue to adapt and to expand its share in what is still a growing Chinese seafood and marine food market. The Group also remains committed in growing export sales and is

confident that Aquatic Foods will continue to leverage on its established position in the overseas market to further benefit from the high growth potential of the international seafood market.

“The Board continues to progress discussions in relation to new premises for production facilities and will provide further updates as appropriate”.

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Chief Executive's Review

During the first half of the financial year 2015, Aquatic Foods Group continued to experience strong growth. Revenue increased by 26% to RMB 444 million (H1-2014: RMB 353 million) and the Group's gross profit margins were broadly stable across all product categories, achieving approximately 33% in the year. The increase in revenues has principally been driven by sales of fish including mackerel (sourced from Iceland, Ireland, Norway and Scotland) and saury as consumers continue to demand convenient and healthier food options. This has led to pre-tax profits increasing 29% to RMB 102 million (H1-2014: RMB 79 million) and net profit after tax increasing 28% to RMB 78 million (H1-2014: RMB 61 million).

Aquatic Foods remains highly cash generative and the Group maintains its strong balance sheet with cash as at 30 June 2015 amounting to RMB 367 million (as at 30 June 2014: RMB 167 million). As the Group expands, it is anticipated that the working capital requirement will increase due to enhanced credit terms being offered to key distribution partners in order to drive growth along with the need to maintain higher inventory levels.

As at 30 June 2015, Aquatic Foods had 51 regional distributors (H1-2014: 50), covering 16 provinces, municipalities and autonomous regions in China. The Group works closely with its distributors to monitor performance and grow sales and remains committed to identifying and appointing new distributors to further expand its coverage in both urban and rural areas in China.

Currently, approximately 60% of Aquatic Food's fish are sourced from various overseas countries, including US, Canada, Norway, UK, and Ireland. The Group will continue to look for strategic alliances and partnerships to diversify the Company's supply chain.

Aquatic Foods has also received increased sales enquiries from overseas customers, driven by the Group's enhanced publicity achieved through its AIM Admission in March 2015. The Group is currently exploring the possibility to grow its exports sales, leveraging the Group's already established position in the international market.

Product categories

Revenue breakdown by product category

	Six months 30 June 2015 Unaudited	Six months 30 June 2014 Unaudited	GROWTH %	Year ended 31 December 2014 Audited
Currency: RMB'000				
Fish	301,114	224,516	34.1	586,180
Sea Cucumbers	65,199	57,243	13.9	132,315
Cephalopods	26,923	22,608	19.1	44,003
Others	50,717	48,763	4.0	93,582
Total	443,953	353,130	25.7	856,080

Gross Margin by Product Category

	Six months 30 June 2015 Unaudited	Six months 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
Gross margin			
Fish	32%	29%	29%
Sea Cucumbers	42%	43%	44%
Cephalopods	31%	27%	30%
Others	30%	29%	30%
Total	33%	32%	32%

Fish

Sales of fish products have continued to increase (up 34% from H1-2014 to H1-2015) with margins also increased from approximately 29% to 32%. The Group's top three fish products are mackerel, greenling and cod.

Sea Cucumbers

Sales increased modestly by 14% compared to H1-2014 partly as a result of the Chinese Government's anti-corruption policy, which has led to increasing pressure towards the giving of high value gifts, such as sea cucumbers. Margins have slightly decreased to approximately 42%.

Cephalopods

Sales of Cephalopods (principally squid and cuttlefish) have continued to grow in H1-2015 following a strong recovery in 2014 in part due to increased focus of the Management team. Margins were maintained at approximately 31%.

Others

Sales of gift boxes increased slightly with margins maintained at approximately 30%.

Market

According to London-based technology research company, Technavio, China's middle class population may surge to one billion people by 2030 from about 150 million in 2014, boosting average incomes that will drive demand for all kinds of higher-value foods. The country already consumes 35 per cent of the world's seafood and by 2019 is expected to boost consumption by another 50 per cent compared to 2014. China's middle class population continues to grow and seafood consumption patterns bode well for the future prospects of Aquatic Foods, which continues to expand its share in the local market.

Strategy

The Board continues to evaluate options for expanding capacity through outsourcing parts of our products, increasing process automation and expanding to an additional site or acquiring an existing factory from a third party. The Group also requires further cold storage capabilities in order to meet expected increased production. Further updates will be made as appropriate.

The Group believes that with its current cash resources and the positive trading cash flow, the Group will have sufficient funds internally to support the expected further growth of Aquatic Foods.

Through successful marketing and promotion strategies, the Group's core brand "Zhenhaitang" has, in recent years, achieved wider recognition and awareness in the marine foods and seafood industry in the PRC. The Group plans to focus on advertising and promotion and will carry out further cross-promotion for our different product types. The Group will also continue to support its regional distributors to establish "Zhenhaitang" branded retail stores. In the first six months of 2015, the Group established two additional "Zhenhaitang" branded retail stores in Shenyang, Liaoning Province.

Further expansion of the existing distribution network is critical to increase the Group's market share and coverage in order to capitalise on the increasing spending power of the end consumers. This is especially important for smaller cities, which have been benefiting from the PRC's continued economic development and urbanisation. In the first six months of 2015, the Group appointed three new regional distributors in Shanghai, and the Jiangsu and Shandong Provinces. As part of the Group's distributor monitoring activities, the Group ceased working with two underperforming distributors during the period.

Product development to expand and enhance product offerings is an important factor to expand market share. The Group plans to continue to invest in product development and innovation in order to stand out from competition and to meet changing consumer preferences.

Outlook

On the back of continuing growth in China's per capita wealth and the resulting higher standard of living, demand has started to move towards pre-processed and ready to eat products as opposed to the procurement of daily foods from traditional markets. These consumers are the major consumption group of natural seafood products as they pursue a healthier lifestyle. Such consumers are concerned about food hygiene and safety and look to recognised branded goods, where the brand values support enhanced food safety.

As a leading PRC marine foods and seafood processor, with a history in servicing demanding export markets, Aquatic Foods is known for adopting the highest standards for quality, safety and sustainability, and the Board is optimistic that Aquatic Foods' growth will be supported by its continued commitment to produce high-end, pre-processed, seafood products.

The Company has continued to grow and trade in line with expectations since 30 June and the Board looks forward to providing a further trading update for the third quarter, along with guidance in respect of trading expectations for 2016, in early November.

Appointment of Non-Executive Director

Aquatic Foods is pleased to appoint Jonathan Quirk a Non-Executive Director of the Company, with effect from today. Jonathan is a qualified accountant with over 40 years of experience in the financial services sector, and brings with him extensive knowledge of international capital markets and AIM as well as an exposure and an understanding of Chinese markets. The Board is confident that Jonathan will be instrumental to the Group's expansion in both the local Chinese and international markets as well as

helping the Group to communicate with UK audiences. John McLean retired as a Non-Executive Director on 20 July 2015 and the Board would like to thank him for his significant contribution to Aquatic Foods in particular his important role in the preparation of Aquatic Foods for its Admission to AIM.

Dividends

The Board has adopted a dividend policy that fundamentally takes into account the Group's profitability and growth and availability of cash and distributable reserves after the requirement to finance the development and expansion of business.

Given the positive cash flow of the Group and the Board's continued optimism for future growth, the Board is pleased to announce that the Group intends to pay a maiden interim dividend of 0.7 pence per share. The interim dividend will be payable around 22 October 2015 to shareholders on the register at the close of business on Friday, 25 September 2015. The shares will go ex-dividend on 24 September 2015. This is in line with the yield indicated at IPO of a 2 per cent. annual yield based on the IPO price of 70p. The Board intends that the full year dividend will represent at least a 2 per cent. yield for the full year and may seek to increase this should trading continue positively as expected.

Li Xianzhi

Chief Executive Officer

10 September 2015

Condensed Consolidated Statements of Comprehensive Income

		Six months 30 June 2015 Unaudited RMB'000	Pro forma Six months 30 June 2014 Unaudited RMB'000	Year ended 31 December 2014 Audited RMB'000
Revenue		443,953	353,130	856,080
Cost of sales		<u>(297,264)</u>	<u>(241,033)</u>	<u>(586,317)</u>
Gross profit		146,689	112,097	269,763
Other income		5,086	3,669	9,000
Selling and distribution expenses		(40,290)	(29,158)	(69,484)
Administrative expenses		(9,186)	(6,198)	(17,409)
IPO expenses		-	-	(7,838)
Other operating expenses		<u>(81)</u>	<u>(183)</u>	<u>(49)</u>
Operating profit		102,218	80,227	183,983
Finance income		477	293	739
Finance costs		<u>(1,219)</u>	<u>(1,394)</u>	<u>(2,777)</u>
Profit on ordinary activities before taxation		101,476	79,126	181,945
Income tax expense	4	<u>(23,728)</u>	<u>(18,551)</u>	<u>(44,939)</u>
Profit after taxation		77,748	60,575	137,006
<u>Other comprehensive income</u>				
Items that will or may be reclassified to profit or loss:				
Exchange differences arising on translation of foreign operation		<u>2,778</u>	-	546
Total comprehensive income attributable to owners of the parent		<u>80,526</u>	<u>60,575</u>	<u>137,552</u>
Earnings per share (EPS):				
Basic and diluted	5	<u>0.70</u>	<u>0.61</u>	<u>1.37</u>

Condensed Consolidated Statements of Financial Position
As at 30 June 2015

		As at 30 June 2015 Unaudited RMB'000	Pro forma As at 30 June 2014 Unaudited RMB'000	As at 31 December 2014 Audited RMB'000
Non-current assets				
Property, plant and equipment	6	21,238	22,226	22,314
Land use rights	7	1,898	1,942	1,920
		<u>23,136</u>	<u>24,168</u>	<u>24,234</u>
Current assets				
Inventories	8	36,827	44,704	47,510
Trade receivables		226,053	138,002	277,066
Other receivables, deposit and prepayment	9	186	1,872	2,871
Cash and bank balances		366,630	167,299	193,903
		<u>629,696</u>	<u>351,877</u>	<u>521,350</u>
Total Assets		<u>652,832</u>	<u>376,045</u>	<u>545,584</u>
Current liabilities				
Trade payables		71,917	34,345	102,934
Other payables and accruals		26,085	20,836	44,393
Short term borrowings		37,042	33,134	41,470
Income tax payable		10,531	8,214	15,294
		<u>145,575</u>	<u>96,529</u>	<u>204,091</u>
Equity				
Stated capital	10	85,238	-	-
Reserves		422,019	279,516	341,493
		<u>507,257</u>	<u>279,516</u>	<u>341,493</u>
Total Equity and Liabilities		<u>652,832</u>	<u>376,045</u>	<u>545,584</u>

**Condensed Consolidated Statements of Changes in Equity
For the six month period ended 30 June 2015 (Unaudited)**

	Stated capital	Capital reserve	Statutory reserve	Merger reserve	Translation reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Proforma balance at 1 January 2014	-	31	11,193	22,394	-	185,323	218,941
Profit for the period	-	-	-	-	-	60,575	60,575
Total comprehensive income for the period	-	-	-	-	-	60,575	60,575
Dividends	-	-	-	-	-	-	-
Proforma balance at 30 June 2014	-	31	11,193	22,394	-	245,898	279,516
Profit for the period	-	-	-	-	-	76,431	76,431
<i>Other comprehensive income:</i> Foreign currency translation differences for foreign operations	-	-	-	-	546	-	546
Total comprehensive income for the period	-	-	-	-	546	76,431	76,977
Adjustment arising from restructuring exercise	-	-	-	(15,000)	-	-	(15,000)
Balance at 31 December 2014	-	31	11,193	7,394	546	322,329	341,493
Profit for the period	-	-	-	-	-	77,748	77,748
<i>Other comprehensive income:</i> Foreign currency translation differences for foreign operations	-	-	-	-	2,778	-	2,778
Total comprehensive income for the period	-	-	-	-	2,778	77,748	80,526
Issuance of share capital	87,167	-	-	-	-	-	87,167
Share issue costs	(1,929)	-	-	-	-	-	(1,929)
Balance at 30 June 2015	85,238	31	11,193	7,394	3,324	400,077	507,257

Condensed Consolidated Statements of Cash Flows
For the six month period ended 30 June 2015

	Six months 30 June 2015 Unaudited RMB'000	Proforma Six months 30 June 2014 Unaudited RMB'000	Year ended 31 December 2014 Audited RMB'000
Cash flow from operating activities			
Profit before taxation	101,476	79,126	181,945
<i>Adjustment for:</i>			
Amortisation of land use rights	22	22	44
Depreciation of property, plant and equipment	1,096	1,081	2,214
Interest expense	1,219	1,394	2,777
Loss on disposal of plant and equipment	-	-	11
Interest income	(477)	(293)	(739)
Operating cash flows before movements in working capital	103,336	81,330	186,252
Decrease / (increase) in inventories	10,683	(4,569)	(7,375)
Decrease / (increase) in trade and other receivables	53,697	4,220	(137,235)
(Decrease) / increase in trade and other payables	(49,325)	(36,510)	57,692
Decrease / (increase) bank balance restricted in use	-	194	(1,361)
Cash generated from operating activities	118,391	44,665	97,973
Interest paid	(1,219)	(1,394)	(2,777)
Income tax paid	(28,491)	(22,216)	(41,524)
Net cash generated from operating activities	88,681	21,055	53,672
Cash flows (for)/from investing activities			
Acquisition of property, plant and equipment	(20)	(2,155)	(3,389)
Proceeds from disposal of property, plant and equipment	-	7	10
Interest received	477	293	739
Cash outflow on group construction	-	-	(15,000)
Net cash used in/ generated from investing activities	457	(1,855)	(17,640)
Cash flows from/(for) financing activities			
Proceeds from issue of share capital	87,167	-	-
Share issue costs	(1,929)	-	-
Net drawdown of interest-bearing bank borrowings	(4,428)	(4,836)	3,500
Net cash generated from/ (use in) financing activities	80,810	(4,836)	3,500
Net increase in cash & cash equivalents	169,948	14,364	39,532
Effects of foreign exchange translation	2,779	72	(47)
Cash and equivalent at beginning of year	187,576	148,091	148,091
Cash and equivalent at end of year	360,303	162,527	187,576

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

The Company was incorporated in Jersey as a public limited company with company number 116402. The registered office of the Company is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.

This financial information is for the Company and its subsidiaries undertakings (together, the "Group").

The principal activities of the entities of the Group are as follows:-

	Name of Company	Country of Incorporation	Principal Activities
i)	Aquatic Foods Group Plc	Jersey	Investment holding
ii)	Hong Kong Hanhe Holding Company Limited	Hong Kong	Investment holding
iii)	Yantai Kanwa Food Co., Limited	PRC	Processing and trading of aquatic products agricultural and meat products.
iv)	Yantai Zhenhaitang Foodstuff Co., Limited	PRC	Trading and distributing of processed frozen aquatic products and pre-packaged food.

The principal place of business of the Group is in the People's Republic of China ("PRC").

On 23 October 2014, the Company acquired the entire share capital of Hong Kong Hanhe Holding Company Limited ("Hong Kong Han He") via a Framework Agreement, pursuant to the reorganisation which was effected by way of issue of shares.

Therefore, although the Group reconstruction did not become unconditional until 23 October 2014, these consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group's principal subsidiary. Both entities had the same management as well as majority of shareholders. Accordingly, comparative amounts for the six month period ended 30 June 2014 are presented on a proforma basis.

The interim consolidated financial statements are presented in the nearest thousands of Renminbi (RMB'000), which is the presentation currency of the group. The functional currency of each of the individual entity is the local currency of each individual entity. For reference the year end exchange rate from Pounds Sterling to RMB was 9.748.

2. BASIS OF PREPARATION

The interim consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The principal accounting policies used in preparing the interim results are the same as those applied in the Group's Financial Statements as at and for the year ended 31 December 2014.

The interim financial information has not been reviewed nor audited by the Company's auditors. A copy of the audited consolidated financial statements for the period ended 31 December 2014, which was prepared under IFRS, is available on the Company's website.

The interim report for the six months ended 30 June 2015 was approved by the Directors on 9 September 2015.

3. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance.

Information on business segments is not presented as the Group operates mainly in processing and trading of aquatic products agricultural and meat products and all its assets, capital expenditure and operations are in the PRC.

Geographical Segments

The analysis of the Group's revenue by geographical segments based on customers' locations is as follows:-

	30 June 2015 RMB'000	Proforma 30 June 2014 RMB'000	31 December 2014 RMB'000
PRC	414,041	326,084	776,562
Outside PRC	29,912	27,046	79,518
	443,953	353,130	856,080
Non-current assets	23,136	24,168	24,234

The segment assets are based on geographical locations of the assets, the entire non-current assets are based in the PRC at the end of reporting period.

There was no customer which contributed more than 10% of the revenue for the Group.

4. INCOME TAX EXPENSE

	30 June 2015 RMB'000	Proforma 30 June 2014 RMB'000	31 December 2014 RMB'000
Current tax expenses	23,728	18,551	44,939

According to the China Income Tax Law, income derived from preliminary processing of fishery or aquiculture products are tax exempted.

The Group's activities in the PRC are subject to corporation tax of 25% during the financial year on profit before taxation in accordance with the relevant laws and regulations in the PRC.

No deferred tax has been provided, as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the reporting dates.

5. EARNINGS PER SHARE

On 3 February 2015, Aquatic Foods Group PLC's shares were admitted to trading on the AIM market of the London Stock Exchange. The Company issued 5,792,081 Placing Shares and 7,434,000 Subscription Shares at 70 pence per Share. The earnings per share information based upon the 113,226,081 ordinary shares are as follows:

	30 June 2015	Proforma 30 June 2014	31 December 2014
Profit after taxation (RMB)	77,748,000	60,575,000	137,006,000
Weighted average number of ordinary shares	110,741,624	100,000,000	100,000,000
Basic earnings per share	0.70	0.61	1.37

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Office equipment RMB'000	Research equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
Pro forma as at 1 January 2014	25,781	675	45	9,612	678	36,791
Additions	1	19	3	2,030	102	2,155
Disposals	-	-	-	-	(39)	(39)
At 30 June / 1 July 2014	<u>25,782</u>	<u>694</u>	<u>48</u>	<u>11,642</u>	<u>741</u>	<u>38,907</u>
Additions	22	9	-	1,204	-	1,235
Disposals	-	(28)	-	(54)	-	(82)
At 31 December 2014	<u>25,804</u>	<u>675</u>	<u>48</u>	<u>12,792</u>	<u>741</u>	<u>40,060</u>
Additions	14	-	-	6	-	20
Disposals	-	-	-	-	-	-
At 30 June 2015	<u>25,818</u>	<u>675</u>	<u>48</u>	<u>12,798</u>	<u>741</u>	<u>40,080</u>
Accumulated depreciation						
Pro forma as at 1 January 2014	8,839	475	28	5,960	329	15,631
Charge for the period	584	26	3	416	52	1,081
Disposals	-	-	-	-	(31)	(31)
At 30 June / 1 July 2014	<u>9,423</u>	<u>501</u>	<u>31</u>	<u>6,376</u>	<u>350</u>	<u>16,681</u>
Charge for the period	585	31	3	463	50	1,132
Disposals	-	(24)	-	(43)	-	(67)
At 31 December 2014	<u>10,008</u>	<u>508</u>	<u>34</u>	<u>6,796</u>	<u>400</u>	<u>17,746</u>
Charge for the period	586	24	3	428	55	1,096
Disposals	-	-	-	-	-	-
At 30 June 2015	<u>10,594</u>	<u>532</u>	<u>37</u>	<u>7,224</u>	<u>455</u>	<u>18,842</u>
Net carrying amount						
As at 30 June 2015	<u>15,224</u>	<u>143</u>	<u>11</u>	<u>5,574</u>	<u>286</u>	<u>21,238</u>
As at 31 December 2014	<u>15,796</u>	<u>167</u>	<u>14</u>	<u>5,996</u>	<u>341</u>	<u>22,314</u>
As at 30 June 2014	<u>16,359</u>	<u>193</u>	<u>17</u>	<u>5,266</u>	<u>391</u>	<u>22,226</u>

7. LAND USE RIGHTS

	30 June 2015 RMB'000	Proforma 30 June 2014 RMB'000	31 December 2014 RMB'000
At cost:-			
Opening / closing balance	<u>2,228</u>	<u>2,228</u>	<u>2,228</u>
Accumulated amortisation:-			
Opening balance	308	264	264
Amortisation charge	22	22	44
Closing balance	<u>330</u>	<u>286</u>	<u>308</u>
Carrying amounts:-			
At 30 June / 31 December	<u>1,898</u>	<u>1,942</u>	<u>1,920</u>

8. INVENTORIES

	30 June 2015 RMB'000	Proforma 30 June 2014 RMB'000	31 December 2014 RMB'000
At cost:-			
Raw materials	23,332	29,129	27,599
Finished goods	13,495	15,575	19,911
	<u>36,827</u>	<u>44,704</u>	<u>47,510</u>

9. OTHER RECEIVABLES, DEPOSIT AND PREPAYMENT

	30 June 2015 RMB'000	Proforma 30 June 2014 RMB'000	31 December 2014 RMB'000
Other receivables	115	176	50
Advances to supplier	-	-	1,909
Prepayments	71	1,685	912
Amount owing by a director	-	11	-
	<u>186</u>	<u>1,872</u>	<u>2,871</u>

10. STATED CAPITAL

	Number of shares	RMB'000
<i>Issued:</i>		
On incorporation as at 11 August 2014	2	-
Issued in pursuant to the Framework Agreement as at 23 October 2014	49,999,998	-
Subdivision of existing shares as at 28 January 2015	50,000,000	-
Placing Shares and Subscriber Shares as at 3 February 2015	13,226,081	87,167
Less: Issuance costs		(1,929)
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As at 30 June 2015	113,226,081	85,238
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On incorporation, the Company issued two ordinary shares at no par value with an unlimited share capital.

On 23 October 2014, the company allotted and issued 49,999,998 Ordinary Shares of no par value pursuant to the Framework Agreement.

On 28 January 2015, the company had been subdivided its existing 50,000,000 ordinary shares into 100,000,000 of ordinary shares. On 3 February 2015, the company's shares had been admitted to trading on the AIM market of the London Stock Exchange. The Company had further issued 5,792,081 Placing Shares and 7,434,000 Subscriber Shares. The total issued ordinary shares of the company were 113,226,081.

11. SEASONALITY OF THE GROUP BUSINESS

The Group's businesses are subject to seasonal fluctuations as result of the festive periods observed in the local market. In particular, the Chinese New Year always falls in January or February of the year, and the demand for high value gifts are strong in this period. The Group will continue to collaborate with regional distributors to drive revenue growth through the product promotion and marketing campaigns in other festive periods throughout the year.

12. BORROWING

The borrowings consist of trade finance and secured interest-bearing bank borrowings.

Trade finance was secured by cross guarantees of the subsidiaries between Yantai Kanwa and Yantai Zhenhaitang.

Interest-bearing bank borrowings were secured by:

- a) land use rights of the Group
- b) property of the Group
- c) personal guarantees by a director of the Group

13. WARRANTS

On 28 January 2015, the company granted 50,000 warrants to S.P. Angel Corporate Finance LLP, the company's nominated adviser, at the exercise price of 70 pence each with expiring date of 5 years. The directors have used Black Scholes model as recommended under IFRS 2 in valuing the share based payment charge. The directors are of the opinion that the estimated fair value is immaterial, hence no charge has been made in the accounts.

- ENDS -