Aquatic Foods Group Plc

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Table of Contents

Chairman's Statement

2015 was a challenging year for businesses including international financial volatility and slowing growth in emerging markets including China. Against this volatile market backdrop, Aquatic Foods performed credibly, demonstrating the Company's ability to keep close control over its overheads, operations and resources, which should stand Aquatic Foods in good stead for the future. We are pleased to announce today our results, which show an uplift in revenue and stable gross and net profit.

The Board views the future with optimism, however we remain highly mindful of the potential challenges that lie ahead in the short term. The Group is aware of the current uncertain condition of the global economy which includes the slowdown of economic growth in China, currency fluctuations, as well as concerns surrounding operating in a highly competitive market place. In order to maintain AFG's solid revenues and profitability the Group will look to capitalise on the continued increasing levels of disposable income amongst both the urban and rural population in China. The burgeoning Chinese middle class seek natural seafood products in addition to being increasingly aware of the importance of having high food safety standards. These factors present encouraging future growth opportunities for the Company.

The Group is committed to adopting the highest standards of quality, safety and sustainability and we are focused on producing high-end, pre-processed seafood products. The Group has an excellent record of food safety and has established stringent globally recognised quality control procedures. The Group has obtained and will continue to improve adherence to the following key standards: ISO 9001 Quality Management System Certification, HACCP Food Safety System Certification, BRC Certification and Marine Stewardship Council Certification.

Aquatic Foods' strong cash position is expected to be deployed to continue the Group's strategy stated at the time of IPO which aims to increase its presence within China. This will be seen through expanding production capacity both by increasing process automation and expanding to an additional site or acquiring an existing factory from a third party. Moreover AFG will add new regional distributors, provide assistance to distributors to establish more "Zhenhaitang" branded retail stores, focus on advertising, promotion and will carry out further cross-promotion in the Group's different product types and continue product development to expand and enhance our product offerings. The total output of Aquatic Foods Group in 2015 equates to 21.8 million KG of fish products in total, a 21.8% increase compared to the 2014 output of 17.9 million KG and the Group is currently awaiting final regulatory approval for its expansion plans from the relevant regional authority which, once implemented, will further increase the Group's production capabilities.

We believe that although the road ahead holds challenges, it also presents considerable future growth opportunities. With a sound strategy, we are confident that we will be able to navigate the current volatile climate, while capturing opportunities for future growth.

On behalf of the Board, we would like to thank our staff for their dedication and commitment. We would also like to thank our shareholders, customers and other stakeholders for their continued support and trust in Aquatic Foods Group.

The Board has adopted a dividend policy that fundamentally takes into account the Group's profitability, growth and availability of cash and distributable reserves after the requirement to finance the development and expansion of the business. We are pleased to announce that despite the challenging market conditions, the Board is proposing a final dividend of 0.7 pence per share for 2015 giving a total dividend for the year of 1.4 pence per share as anticipated in the Group's AIM Admission Document.

Dr. Wang Shaodong
Non-Executive Chairman
28 June 2016

Results

Revenue increased by 14% to RMB 979 million (£102.4 million[1]) (2014: RMB 856 million) but the Group's gross profit margins declined across all product categories to approximately 28% in the year (2014 32%). Pre-tax profits and EBITDA remained at RMB 182 million (c.£19.0 million) and RMB 187 million (c.19.6 million) respectively before taking into account that RMB 8 million IPO expenses were incurred in 2014. Net profit after tax was marginally higher at RMB 140 million (2014: RMB 137 million) due to lower income tax expense.

Aquatic Foods remains highly cash generative and the Group maintains its strong balance sheet with cash as at 31 December 2015 amounting to RMB 380 million (c.£39.8 million) (2013: RMB 194 million excludes the gross proceeds from the Placing and Admission to AIM, which occurred post period end on 3 February 2015 and totalled £9.3 million [c.RMB 89 million] before expenses).

As at 31 December 2015, Aquatic Foods had 51 regional distributors (2014: 50), covering 16 provinces, municipalities and autonomous regions in China, and hopes to capitalise on the increasing levels of disposable income currently seen across China which is occurring for both urban and rural residents.

Currently, approximately 60% of Aquatic Foods' fish is sourced from various overseas countries, including 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 received increased sales enquiries from overseas customers, driven by the Group's enhanced commercial profile achieved through its admission to trading on AIM. The Group is thus currently exploring the possibility to grow its export sales, leveraging the Group's already established position in the international market. The Group is also reviewing selected opportunities to build its international footprint.

[1] **The illustrative exchange rate as at 31 December 2015 was 1 GBP: 9.6 RMB (2014: 1 GBP: 9.6 RMB).**

Product categories

Revenue breakdown by product category

	2015	2015	2014	2014	GROWTH %
Currency:	**RMB'000**	**GBP'000**	**RMB'000**	**GBP'000**	
Fish	704,942	73,737	586,180	61,314	20.3
Sea Cucumbers	137,531	14,386	132,315	13,840	3.9
Cephalopods	41,753	4,367	44,003	4,603	(5.1)
Shrimp & Shellfish	38,688	4,047	33,935	3,550	14.0
Others	55,833	5,840	59,647	6,239	(6.4)
Total	978,747	102,377	858,080	89,755	14.1

Gross Margin by Product Category

Gross margin	2015	2014
Fish	27%	29%
Sea cucumbers	36%	44%
Cephalopods	29%	30%
Shrimp & Shellfish	30%	31%
Others	27%	26%
Total	28%	32%

Fish

The revenue generated from fish products increased by over 20% on the previous year and has continued to represent AFG's largest product category, representing 72% of sales for the full year ended 31 December 2015 (2014: 68%).

The revenue generated from fish increased by approximately 20%, this increase was principally generated from higher sales of mackerel, cod and saury which tend to be lower priced and margin products.

The weight of processed fish during FY 2015 increased by 24% compared with that processed during FY 2014.

Sea Cucumbers

The sale value of Sea Cucumber products have increased slightly, but average prices in FY 2015 have fallen leading to a reduction in gross profit margin to 36% from 44%. Sales of Sea Cucumbers have been impacted on the Chinese Governments continued focus on tackling high value gift giving practices in business and this has led to a fall in average price per kilo and the margins achieved by the Group.

Cephalopods

The sales of Cephalopods (principally squid and cuttlefish) for the full year ended 31 December 2015 were down approximately 5% compared to the prior year. Gross profit margins were down slightly from 30% to 29%.

Shrimp and Shellfish

Sales have increased by 14% for the full year ended 31 December 2015, whilst the Gross profit margins for the full year ended 31 December 2015 were down to approximately 30%, reflecting the general price pressure in the current market.

Other revenue

This includes gift boxes. Sales have decreased by 6.4% for the full year ended 31 December 2015, whilst the Gross profit margins for the full year ended 31 December 2015 were up slightly to approximately 27%.

Q1 trading to 31 March 2016

As previously announced on 23 May 2016, trading in the first quarter of 2016 has been subdued, reflecting the continuation of challenging market conditions in the second half of 2015. Unaudited aggregate revenues for the Group for the three months to 31 March 2016 were approximately RMB 215 million (£.22.5m), which is approximately 7% lower when compared to Q1 2015.

Unaudited revenue for Q1 2016 for each of the Group's principal product categories were as follows:

Currency:	**RMB million**	**GBP million**
Fish	136	14.2
Sea Cucumbers	32	3.3
Cephalopods	16	1.7
Others	31	3.2
Total	213	22.4

Gross Profit margin by Product Category

	Three months 31 March 2016 Unaudited	**Three months 31 March 2015 Unaudited**	**Three months 31 December 2015 Unaudited**
Fish	23%	29%	23%
Sea Cucumbers	30%	44%	30%
Cephalopods	25%	28%	26%
Shrimp & Shellfish	26%	32%	26%
Others	25%	31%	24%
Total	24%	31%	25%

Strategy

The Board continues to evaluate options for expanding production capacity both through increasing process automation and expanding to an additional site or acquiring an existing factory from a third party. The Group is currently awaiting final regulatory approval for its expansion plans from the relevant regional authorities. Owing to the current market environment the Group has not been actively chasing this consent although it is expected that the Group will still seek to acquire additional processing and cold storage capacity.

Successful brand building remains key to Aquatic Foods' continued business success. The Group plans to continue its focus on advertising and promotion and will carry out further cross-promotion for our different product types over the next year. The Group will also continue to support its regional distributors to establish further "Zhenhaitang" branded retail stores where appropriate to do so.

As previously announced, the Group is seeking to grow new sales channels by specifically targeting sales to supermarkets in China. This will be achieved through expanding our distribution partners as well as increasing our focus on export markets due to the fall in value of the Renminbi, although the latter can potentially attract lower gross profit margins. Further expansion of the existing distribution network, especially to smaller cities in China, is also critical to expand the Group's market share.

As announced in the Q1 trading update, due to increasing popularity of British and Scottish fish products, the Company's sales of mackerel in the period in China increased by 10% on the previous year. To help satisfy this demand, the Company signed a US $850,000 purchase contract with Peterhead based supplier Northbay Pelagic in February 2016 for the supply of 615 metric tonnes of Atlantic Mackerel per annum. Since then, two further purchase contracts for mackerels, including a contract with Scottish based supplier Lunar Freezing & Cold Storage and a contract with Seychelles based supplier Flying Fish International has been signed. The former will supply 575 metric tonnes of Mackerel and the latter 162 metric tonnes of Mackerel to Aquatic Foods. As a result of these recent contracts, Aquatic Foods has become one of the leading importers of fish from the UK amongst other Chinese companies and this is expected to increase its credibility and profile in the industry in the UK.

Continuous product development and enhancement of product offerings is an important factor to hold and expand Aquatic Foods' market share. The Group plans to invest and strengthen market-oriented product development activities to continue to provide innovative and high quality products in order to stand out from competition and to meet changing consumer preferences.

While market growth in China has slowed in the past year, the Group will take the opportunity to review internal processes and strategies in preparation for a time when the market returns to full strength. This includes monitoring the success of increased advertising as well as continuing to finalise expansion plans, including additional processing and cold storage capacity given the increase in processing volumes. With this in place, the Board believes that the Company will be in the strongest position possible to take advantage of a revived trading environment.

Cash and working capital

The cash position of The Company remains solid the majority of which is held in the PRC with the remaining funds located in the UK and Hong Kong in order to more easily meet international payments.

The Group continues to actively manage its trade debtor balances and has not been required to provide for any bad debts. The full RMB 306.7 million (c.£32.1m) of trade receivables outstanding as at 31 December 2015 has been received since the year end.

Appointment of new Finance Director

The Company continues its search for a replacement Finance Director, following the departure of Sean Lim on 3 February 2016. AFG has been making good progress in finding a suitable candidate to replace Mr. Lim and will make a further announcement regarding this in due course.

Outlook

As noted in the Company's Q1 trading update, the Group's markets remain challenging, and the Company has faced continued challenging trading into Q2, however while our gross margin declined during 2015 we are now seeing a stabilization in margins though with gross margins in April stable at approximately 24%. The Board expects these challenging conditions to continue in the near term.

To mitigate this, the Company has increased its marketing and advertising efforts in order to preserve its market position in China. The Group intends for this to combine with its strategy of specifically targeting increased sales to supermarkets in the PRC.

China still experiences high levels of economic growth, and achieved growth of 6.9% last year, although its slowest rate in a quarter of a century. The Government is looking to steer the economy on a more qualitative growth path by, *inter alia*, overseeing the closure of outdated industries and sectors and by supporting new areas of growth such as the service sector. As an established and modern marine foods supplier and retailer, Aquatic Foods Group is in a good position to continue to benefit from Chinese economic growth and Government support in the long term.

Li Xianzhi
Chief Executive Officer
28 June 2016

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

On 23 October 2014, the Group underwent a re-organisation by virtue of which the shareholders of the previous holding company, Hong Kong Han He Limited, in their entirety exchanged their shares for shares in Aquatic Food Group Plc ("the Company"), a newly formed company, which then became the ultimate parent company of the Group. As the accounting treatment for Group reorganisation is scoped out of IFRS 3, the Group has referred to current UK GAAP and specifically the merger accounting principles contained therein. The resulting treatment is that the consolidated financial statements of Aquatic Food Group Plc are presented as if the company had always been the holding company for the Group.

Principal Activities

The principal activity of the Group is a China based marine foods and seafood processor and producer, supplying to export and local markets.

Business Review and Future Developments

The review of the Group's business operations including key performance indicators and future developments are set out in the Chairman's Statement and Chief Executive's Statement.

Financial Results

The financial results of the Group are set out in the Consolidated Statement of Comprehensive Income and other components of the financial statements with the accompanying notes to the statements.

Dividends

The Directors have 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.

Directors

The Directors who served on the Board and Board Committees are set out below:

Dr. Wang Shaodong	(appointed on 3 February 2015)
John McLean, OBE	(appointed on 3 February 2015 and resigned on 20 July 2015)
Li Xianzhi	(appointed on 11 August 2014)
Richard Sweet	(appointed on 3 February 2015)
Mircle Yap Ching Chai	(appointed on 3 February 2015)
Kim Huat (Sean) Lim	(appointed on 11 August 2014 and resigned on 3 February 2016)
Jonathan Quirk	(appointed on 10 September 2015)

At each Annual General Meeting as stated in the Articles of Association of the Company, one-third of the Directors who are subject to retirement by rotation shall retire from office and such directors may stand for re-election subject to any rules or law to the contrary.

Directors' and Officers' insurance policy cover has been put in place to indemnify the Directors against any legal actions by third parties.

Directors' Interests in Shares

The interests of Directors (and their immediate family) over the ordinary shares of the Company are as follows:

Directors	Number of shares	Percentage of issued ordinary share capital (%)
Dr. Wang Shaodong	-	-
John McLean, OBE	-	-
Li Xianzhi through Oceanic Expert Holdings Limited (Note 1)	51,000,000	45.04
Richard Sweet	-	-
Mircle Yap Ching Chai	-	-
Kim Huat (Sean) Lim	-	-
Jonathan Quirk	75,000	0.07

Notes:

1. Oceanic Expert Holdings Limited is a British Virgin Islands company of which 100% of the issued share capital is directly owned by Li Xianzhi.

No share options have been awarded to Directors of the Company.

Substantial Shareholders

Based on the register of members as at 24 March 2016, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of shares	Percentage of issued ordinary share capital (%)
Oceanic Expert Holdings Limited	51,000,000	45.04
Beaufort Nominees Limited	8,150,492	7.20
Pioneer Sky Investments Limited	6,500,000	5.74
Righton Investments Limited	6,500,000	5.74
Midasi (Malta) Investment Limited	5,500,000	4.86
One Capital Group Investment (Malta) Limited	4,800,000	4.24
Thomas Tan Hock Nieh	4,700,000	4.15
Eternal View Investments Limited	4,500,000	3.97
Lim Koon Keong	4,500,000	3.97
East Sincerity Capital China Co Ltd	4,200,000	3.71
First Honour Ventures Limited	4,000,000	3.53
United Talent Investments Limited	3,800,000	3.36

Directors' Remuneration

	Year Ended 31 December 2015	
Directors	**Salaries and related cost RMB'000**	**Retirement scheme contribution RMB'000**
Executive		
Li Xianzhi	1,418	-
Kim Huat (Sean) Lim	616	-
Non-Executive		
Dr. Wang Shaodong	306	-
John McLean, OBE	209	-
Richard Sweet	262	-
Mircle Yap Ching Chai	262	-
Jonathan Quirk	59	-

Research and Development

The Group has carried out research and development programs to expand and enhance our product offerings in order to stand out from competition, to meet changing consumer preferences and to expand market share. During the year ended 31 December 2015, the Group has expensed for the related development costs, which mainly consisted of costs of the Group's Research & Development department, through the Consolidated Statement of Comprehensive Income.

Employees

It has been the policy of the Group to involve the employees with the Group's development and performance. In terms of employees' welfare, health and advancement, the Group's policy is to have an appropriate remuneration and benefits provision for the employees. The Group is committed to ensure that equal opportunities are accorded to all of its employees irrespective of age, gender and nationality in training, career development and advancement.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

Health and Safety Regulation

Goods supplied in to the PRC are required to comply with various health and safety standards. Any breach or non-compliance by the Group with the laws and regulations, in particular the laws and regulations relating to food quality and safety, which the Group is subject to, may lead to the termination, withdrawal or suspension of some or all the business activities or fines or other penalties being imposed on the Group.

Exported goods are required to comply with international standards and the standards of the countries the goods are exported to. The international standards are in reference to the ones provided by the Shandong Province Bureau of Aquatic Products Export Inspection Epidemic Diseases and Implementation Program of 2015 by Yantai Bureau of Aquatic Products Export Inspection Epidemic Diseases Aquatic Products Export. Should the Group cease to continue to comply with relevant standards and regulations the Group may no longer be able to export its products with a consequent fall in turnover and profitability.

Public Health Issues

The PRC has been affected by a number of public health concerns in recent years. Public health concerns which may arise in relation to any of the Group's principal product categories (whether or not specifically in relation to any products produced by the Group) may adversely impact demand for the Group's products and could adversely affect the Group's operations and results.

Environmental Regulation

The Group's operations are subject to environmental and safety regulation in the PRC. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Directors cannot guarantee that the Group will at all times be in compliance with such laws, regulations and permits, or that it has previously complied with the same.

If the Group violates or fails to comply with the requirements, the Group could be fined or otherwise sanctioned by regulators. Environmental legislation and permit regimes are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and an elevated degree of responsibility for companies and their directors and employees. The need to comply with any such stricter requirements is likely to result in increased costs for the Group, which could in turn have a material adverse effect on the financial results of the Group.

Competition Risk

While the seafood market in which the Group operates is fragmented, there are certain larger competitors who may benefit from enhanced financial resources, brand awareness, scale advantages or other such factors that cause them to take market share from the Group.

Dependence on Key Executives

The Group's business success is dependent on retaining and attracting its key executives in management and sales and marketing, production and research & development as the performance of the Group depends on the abilities and continued efforts of its senior management, production, research & development and members of the sales and marketing teams. The Group has entered into contractual arrangements to secure the services of the senior management and key personnel, however, the retention of these personnel cannot be guaranteed.

Foreign Currency Risk

The Group may experience fluctuations in exchange rate that may have a material adverse effect on the Group's profitability or pricing competitiveness for its products and services. There can be no guarantee that the Group would be able to compensate or hedge against such adverse effects and negative exchange rate effects could have an adverse effect on the Group's business and financial performance.

In addition, the Group conducts majority of its operation in Renminbi ("RMB"), whereas the ordinary shares are listed in Pound Sterling ("GBP"). Adverse fluctuations in the GBP/RMB rate could affect the Group's earnings when translated in GBP, hence its GBP-expressed share price.

Reliance on Third Party Distributors for Access to Consumer Markets

The Group does not generally maintain direct relationships with end customers and utilises a model whereby third party distributors sell its products to end customers. Though the Group will typically ask for exclusivity, the distributors used by the Group may offer competing products to those produced by the Group. Should the Group's distributors fail to sell the Group's products in sufficient quantity the Group's results may be adversely affected.

Reliance on Third Party Processors to Carry Out Certain Seafood Processing Operations

The Group outsources various processing activities to trusted partners. This can be due to capacity constraints or where specialist equipment is required, for example the drying of sea cucumbers. The failure of any partner to carry out processing work in accordance with the Group's quantity or quality requirements may adversely affect the Group's reputation with its customers, business operations and operating results.

Political, Economic and Legislative Risks

The Group may be affected by the adverse developments in the political, economic and regulatory environment in which the Group operates. Uncertainties in the political and economic environment include expropriation, nationalisation, inflation and deflation, changes in interest rates and taxation and currency exchange control.

Any deterioration in the economic climate could result in the delay or cancellation of customers' orders and in a more prolonged economic downturn, it may lead to the overall decline in the sales of the Group that restrict the growth and profitability of the Group. Whilst the Group strives to continue to take effective measures to protect it against such risks with prudential financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory environment will not adversely affect the Group.

Commercial Operations in the PRC

Since 1979, many laws and regulations dealing with economic matters with respect to general and foreign investments have been promulgated in the PRC. In 1982, the PRC National People's Congress amended the constitution to attract foreign investments and to safeguard the "lawful rights and interests" of foreign investors in the PRC. Since then, the trend of legislation has been to enhance the protection afforded to foreign investors and to allow more active control by foreign investors of foreign investment enterprises in the PRC. However, despite significant improvements in its legal system, there still exist difficulties in obtaining swift and equitable enforcement and in obtaining enforcement of judgments by a court of another jurisdiction in the PRC. The PRC position of a company's legal representative and management of chops, even within a sound framework of corporate governance, present a measure of risk. Further, as a result of political changes, the interpretation of statutes and regulations may be subject to PRC government policies. Such uncertainties may affect the Group's operations and accordingly, its profitability, prospects and financial position.

GOING CONCERN

The Group's activities and sales of its products, services and markets and the performance of the Group are set out in the Chief Executive's Statement on pages 4 to 7. The financial risk management is set out in the Note 24 to the Financial Statements.

After the assessment of the available financial information and reviews, and also taking into account the nature of the business that has continuing recurring revenue with high cash conversion that generates significant cash resources as reflected in the current financial position of the Group with cash position of RMB380 million as at 31 December 2015, the Directors believe that the Group has adequate resources to continue to operate for the foreseeable future. Therefore it is appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated financial statements.

ANNUAL GENERAL MEETING

The notice for the convening of the AGM together with the proposed resolutions are contained in the Notice to AGM attached to this Annual Report.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office on the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. The Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed by order of the directors

Li Xianzhi
Director

28 June 2016

CORPORATE GOVERNANCE

The Company is committed to observing good standards of corporate governance. In this report, we describe the Company's corporate governance processes and activities with reference to the principles of the Quoted Companies Alliance's Corporate Governance Guidelines. Although there is no requirement to adopt these principles as an AIM company, the directors intend to continue to comply with its main provisions as far as is practicable and appropriate having regard to the size and nature of the Company.

At the admission date, the directors have established an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee, which comprises Jonathan Quirk, Richard Sweet and Mircle Yap, is responsible for:

- assessing the integrity of the Group's financial reporting and satisfying itself that any significant financial judgements made by management are sound
- evaluating the effectiveness of the Group's internal controls, including internal financial controls and
- scrutinising the activities and performance of the external auditors, Crowe Clark Whitehill LLP, including monitoring their independence and objectivity.

The Audit Committee receives and reviews reports from the management and Crowe Clark Whitehill LLP relating to the annual and interim financial statements and the accounting and internal control systems of the Group. Crowe Clark Whitehill is invited to a meeting of the Audit Committee to discuss their reports.

In addition, the Audit Committee considers the financial performance, position and prospects of the Group and ensures that they are properly monitored and reported on.

The Audit Committee met two times in 2015. The principal activities and significant issues considered include:

Key area	Action taken
Relationships with suppliers	The Audit Committee requested that the auditor visit a sample of the group's suppliers of their choosing as part of their audit procedures. This additional step was taken to understand and gain assurance over the integrity of the supply chain.
Operation of financial controls	The Audit Committee considered the Group's application of its financial policies and procedures which were established following the Group's AIM listing in 2015. The Audit Committee requested that management report to them on compliance with these policies and procedures as well as asking the auditor to additionally review compliance, particularly in respect of the approval of significant payments.
Cash balances	The Audit Committee reviews the appropriateness of the Group's banking arrangements. It noted that the majority of the Group's funds were held with HuaXia Bank in China. Additionally, as part of this review, the Audit Committee requested that the auditor perform additional procedures around the verification of cash balances, including physically visiting the various bank branches to obtain direct confirmations.
Revenue, trade receivables and inventory	The Audit Committee considered the group's application of the accounting policies specifically in relation to revenue recognition, trade receivables and inventory. The Audit Committee requested that the auditor provide additional focus on these areas in reporting their findings to the Audit Committee.

External audit	In considering the quality of the external audit, the Audit Committee assessed the reports from Crowe Clark Whitehill LLP during the 2015 audit. The actions included approving the audit plan and discussing and challenging the significant findings of the audit.

Remuneration Committee

The Remuneration Committee, which comprises Richard Sweet, Dr. Wang Shaodong, Jonathan Quirk and Mircle Yap, is responsible for making recommendations to the Board on remuneration policy for directors, including the setting of directors' salaries and incentive payments. The Committee reviews the performance of the executive Directors and senior management and sets and reviews their remuneration and the terms of the service contracts, determines the payment of bonuses to the Executive Directors and considers the Group's bonus and other incentive schemes.

Nomination Committee

The Remuneration Committee, which comprises Dr. Wang Shaodong, Jonathan Quirk, Richard Sweet, and Mircle Yap, is responsible for the selection and appointment of Directors and the regular review of the structure, size and composition of the Board in relations to the requisite skills, knowledge and experience of the Board.

AIM Rules Compliance Committee

The Compliance Committee which comprises Jonathan Quirk, Dr. Wang Shaodong, Li Xianzhi and Mircle Yap, has the primary responsibility to ensure compliance with the AIM Rules in particular concerning disclosure of information required under the AIM Rules. The Committee will function closely with the Board to ensure that the Company's Nominated Adviser (NOMAD) is provided with the information required by the NOMAD to carry out their responsibilities under the AIM Rules.

The meetings of Compliance Committee are carried out in conjunction with the proceedings in the Board meetings wherein compliance with the AIM Rules and the release of information and communications with the Company's NOMAD and the market are highlighted and informed to the Board.

Internal Controls

The Board is ultimately responsible for the Group's system of internal controls, including financial, operational, compliance control and risk management, and for reviewing and monitoring its effectiveness. The system of internal controls is designed to manage and minimise risk, rather than eliminate it. In pursuing these objectives, internal controls can only provide a reasonable and not absolute assurance against material misstatements or loss.

The key elements of the control systems in operation are:

- the Board meets regularly with a formal schedule of matters reserved to it for decision
- the Board has put in place an organisational structure with clear and defined lines of responsibility and with appropriate dilatation of authority
- procedures have been established for the planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts
- significant risks and associated controls and monitoring procedures are reported regularly to the Board to enable the Directors to review the effectiveness of the systems of internal control

Investors Relations

The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the AGM. In addition, the Company uses the annual report and accounts, interim statement and website (www.aquaticfoods-ir.com) to provide further information to shareholders.

Auditor

In accordance with Section 113 of the Companies (Jersey) Law 1991, a resolution for the reappointment of Crowe Clark Whitehill LLP will be proposed at the next Annual General Meeting.

Signed by order of the directors

Li Xianzhi
Director

28 June 2016

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Aquatic Foods Group Plc

We have audited the Financial Statements of Aquatic Food Group plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, Consolidated Statement of Changes in Equity and their related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report to you in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
27 June 2016

St Brides House
10 Salisbury Square
London
EC4Y 8EH

Aquatic Foods Group Plc

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	2015 RMB'000	Proforma 2014 RMB'000
Revenue	5	978,747	856,080
Cost of sales		(700,646)	(586,317)
Gross profit		278,101	269,763
Other income	6	11,955	9,000
Selling and distribution expenses		(85,592)	(69,484)
Administrative expenses		(21,247)	(17,409)
IPO expenses		-	(7,838)
Other operating expenses		(2)	(49)
Operating profit		183,215	183,983
Finance income		1,037	739
Finance costs		(2,458)	(2,777)
Profit on ordinary activities before taxation	7	181,794	181,945
Income tax expense	8	(41,390)	(44, 939)
Profit after taxation		**140,404**	**137,006**
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		103	546
Total comprehensive income attributable to owners of the parent		**140,507**	**137,552**
Earnings per share (EPS):			
Basic and diluted EPS	9	**1.25**	**1.37**

The notes on page 23 to 55 form part of these financial statements

All amounts are derived from continuing operations.

Aquatic Foods Group Plc

Consolidated Statement of Financial Position
As at 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	Proforma Year ended 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	10	29,321	22,314
Land use rights	11	1,876	1,920
		31,197	24,234
Current assets			
Inventories	12	55,627	47,510
Trade receivables	13	306,694	277,066
Other receivables, deposit and prepayment	14	4,620	2,871
Cash and bank balances	15	380,419	193,903
		747,360	521,350
Total Assets		**778,557**	**545,584**
Current liabilities			
Trade payables	18	131,885	102,934
Other payables and accruals	19	35,847	44,393
Short term borrowings	20	42,040	41,470
Income tax payable		9,274	15,294
		219,046	204,091
Equity			
Stated capital	16	85,238	-
Reserves	17	474,273	341,493
		559,511	218,941
Total Equity and Liabilities		**778,557**	**545,584**

The notes on page 23 to 55 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2016

Li Xianzhi
Director

28 June 2016

Aquatic Foods Group Plc

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

	Stated capital	Capital reserve	Statutory reserve	Merger reserve	Translation reserve	Distributable 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 year	-	-	-	-	-	137,006	**137,006**
Foreign currency translation differences for foreign operations	-	-	-	-	546	-	**546**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**546**	**137,006**	**137,552**
Adjustment arising from restructuring exercise	-	-	-	(15,000)	- -	-	**(15,000)**
Proforma balance at 31 December 2014	**-**	**31**	**11,193**	**7,394**	**546**	**322,329**	**341,493**
Profit for the year	-	-	-	-	-	140,404	**140,404**
Foreign currency translation differences for foreign operations	-	-	-	-	103	-	**103**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**103**	**140,404**	**140,507**
Issuance of share capital	87,167	-	-	-	-	-	**87,167**
Share issuance costs	(1,929)	-	-	-	-	-	**(1,929)**
Dividend paid	-	-	-	-	-	(7,727)	**(7,727)**
Transferred to statutory reserve	-	-	3,524	-	-	(3,524)	**-**
Balance at 31 December 2015	**85,238**	**31**	**14,717**	**7,394**	**649**	**451,482**	**559,511**

Aquatic Foods Group Plc

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flow from operating activities			
Profit before taxation		181,794	181,945
Adjustment for:			
Amortisation of land use rights	7	44	44
Depreciation of property, plant and equipment	7	2,185	2,214
Interest expense	7	2,458	2,777
Loss on disposal of plant and equipment	7	14	11
Interest income		(1,037)	(739)
Operating cash flows before movements in working capital		**185,458**	**186,252**
Increase in inventories		(8,117)	(7,375)
Increase in trade and other receivables		(31,708)	(137,235)
Increase in trade and other payables		18,588	57,692
(Increase)/decrease in bank balance restricted in use		1,895	(1,361)
Cash generated from operating activities		166,116	97,973
Interest paid		(2,458)	(2,777)
Income tax paid		(47,410)	(41,524)
Net cash generated from operating activities		**116,248**	**53,672**
Cash flows (for)/from investing activities			
Acquisition of property, plant and equipment		(9,205)	(3,389)
Proceeds from disposal of property, plant and equipment		-	10
Interest received		1,037	739
Cash outflow on group construction		-	(15,000)
Net cash (used in)/ generated from investing activities		**(8,168)**	**(17,640)**
Cash flows from/(for) financing activities			
Dividends paid	21	(7,602)	-
Proceeds from issue of share capital		86,279	-
Net drawdown of interest-bearing bank borrowings		570	3,500
Net cash generated from financing activities		**79,247**	**3,500**
Net increase in cash & cash equivalents		**187,327**	**39,532**
Effects of foreign exchange translation		1,084	(47)
Cash and equivalent at beginning of year		187,576	148,091
Cash and equivalent at end of year	**15**	**375,987**	**187,576**

1. GENERAL INFORMATION

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.

On 11 August 2014, the Company was incorporated with the issuance of two ordinary shares at no par value. On 16 October 2014, the two shares of Aquatic Foods Group PLC were transferred to Li Xianzhi, the largest shareholder of the Company as at the date of the financial statements (held through Oceanic Expert) and with de-facto control of the Company.

Pursuant to a framework agreement (the "Framework Agreement") dated 23 October 2014 between, inter alia, the Company, Aquatic Foods Group PLC ("AFG"), Hong Kong Hanhe Holding Company Limited ("Hong Kong Han He"), Li Xianzhi and the Founder Investors, AFG agreed to subscribe for 100,000 shares of HKD 0.001 each in the issued share capital of Hong Kong Han He and agreed to acquire 10,000 shares of HKD 1 each in the share capital of Hong Kong Han He from Li Xianzhi.

Pursuant to the Framework Agreement, the Consideration Shares were allotted and issued, 49,999,998 Ordinary Shares to the Initial Investors: 25,499,998 Ordinary Shares to Li Xianzhi (to be held through Oceanic Expert), 2,000,000 Ordinary Shares to First Honour Ventures Limited, 3,250,000 Ordinary Shares to Righton Investment Limited, 2,400,000 Ordinary Shares to One Capital Group Investment (Malta) Limited, 2,250,000 Ordinary Shares to Lim Koon Keong, 2,350,000 Ordinary Shares to Thomas Tan Hock Nieh, 2,750,000 Ordinary Shares to Midasi (Malta) Investment Limited, 3,250,000 Ordinary Shares to Pioneer Sky Investments Limited, 2,100,000 Ordinary Shares to East Sincerity Capital China Co., Ltd., 2,250,000 Ordinary Shares to Eternal View Investments Limited and 1,900,000 Ordinary Shares to United Talent Investments Limited.

Hong Kong Hanhe was incorporated in Hong Kong on 25 September 2012 and acquired a wholly owned subsidiary, Yantai Kanwa Food Co., Ltd ("Yantai Kanwa") on 25 May 2013. Yantai Kanwa is a company established as a wholly foreign owned enterprise ("WFOE") in the PRC, and was incorporated on 15 November 1999.

Yantai Zhenhaitang was incorporated in the PRC on 1 November 2007. On 16 September 2014, Yantai Kanwa acquired the entire issued share capital of Yantai Zhenhaitang Foodstuff Co., Ltd ("Yantai Zhenhaitang").

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

	Name of Company	Country of Incorporation	Principal Activities
i)	AFG	Jersey	Investment holding
ii)	Hong Kong Hanhe	Hong Kong	Investment holding
iii)	Yantai Kanwa	PRC	Processing and trading of aquatic products agricultural and meat products
iv)	Yantai Zhenhaitang	PRC	Trading and distributing of processed frozen aquatic products and pre-packaged food

2. BASIS OF PREPARATION

The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

As permitted by Jersey Company Law only the consolidated financial statements are presented.

The Directors considered IFRS 3 "Business Combinations" (Revised 2008) as the appropriate accounting treatment. However, they concluded that the Group fell outside of the scope of IFRS 3 (revised 2008) since the Group represents a combination of entities under common control

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (FRS 102) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance within applicable IFRS, no goodwill is recognised, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

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. All entities had the same management as well as majority shareholders.

On this basis, the Directors have decided that it is appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 102 in order to give a true and fair view. No fair value adjustments have been made as a result of the combination.

Functional and presentation currency

The financial statements are measured and presented in the currency of the primary economic environment in which the key trading entities operates (its functional currency). The consolidated financial statements of the Group are presented in Renminbi ("RMB"), which is the presentation currency for the consolidated financial statements. 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 9.5923 (2014: 9.5467)

All financial information presented in RMB has been recorded to the nearest thousand (RMB'000). They have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit and loss.

Going concern

After the assessment of the available financial information and reviews, and also taking into account the nature of the business that has continuing recurring revenue with high cash conversion that generates significant cash resources as reflected in the current financial position of the Group with cash position of RMB380 million as at 31 December 2015, the Directors believe that the Group has adequate resources to continue to operate for the foreseeable future. Therefore it is appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

New Standards, amendments and interpretations to published standards not yet effective

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of the Group.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of all subsidiaries. The financial year ends of all entities in the Group are coterminous.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intercompany balances and transactions, including recognised gains arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

The financial information of the subsidiary is prepared for the same reporting period as that of Group, using consistent accounting policies.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Land use rights

The term of land use right is 50 years, it was initially capitalised at cost. The risk and reward are passed onto the lessee as if they own the land and it is treated as a fixed asset and amortised using the straight line method over their estimated useful lives.

4.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Estimated Useful Lives
Leasehold buildings	20 years
Office equipment	5 -10 years
Research equipment	5 -10 years
Plant and machinery	5 -10 years
Motor vehicles	5 -10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss arising on 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 comprehensive income statement.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

4.3 Impairment of tangible and intangible assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Impairment of tangible and intangible assets excluding goodwill (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in comprehensive income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.4 Income tax

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 year. Taxable profit differs from profit as reported comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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.

Deferred tax liabilities are recognised on taxable temporary differences arising on investment in subsidiaries, 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Income tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.6 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through comprehensive income statement.

Financial assets

Financial assets within the scope of IAS 39 are classified as either:

(i) financial assets at fair value through profit or loss
(ii) loans and receivables
(iii) held-to-maturity investments
(iv) available-for-sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification at every reporting date. As at the balance sheet date, the Group did not have any financial assets at fair value through profit or loss, and in the categories of held-to-maturity investments and available-for-sale financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial instruments (Continued)

Financial assets (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases and sales are purchases or sales of financial assets that require delivery of the financial assets within the period generally established by regulation or convention of the market place concerned.

Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified in this category if they are acquired for the purpose of selling in the short term. Gains or losses on investments held for trading are recognised in the comprehensive income statement.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in comprehensive income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through comprehensive income statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset 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 receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised costs.

Financial liabilities are classified as at fair value through comprehensive income statement if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Cost of raw materials comprises the original cost of purchase plus costs of bringing the inventories to their present location and condition.

The cost of finished goods and work in progress include the cost of raw materials, direct labour and a proportion of manufacturing overheads based on normal operating capacity of the manufacturing facilities.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flow, cash equivalents would include advances from banks repayable within 3 months from the date of the advance

4.9 Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

4.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation 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 financial year, 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity.

Sale of goods

The group distributes processed frozen aquatic products and pre-packaged food. Sales of goods are recognised upon the transfer of significant risks and rewards of ownership of the goods to customers, which generally coincides with delivery and acceptance of the goods sold.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

4.12 Foreign currency transactions and translation

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in comprehensive income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

4.13 Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Related parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

- (i) The entity and the reporting entity 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 of 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above 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).

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.

4.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4.16 Fair value measurement

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 a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability 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. The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.18 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transactions costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

4.19 Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:

(i) its ability to measure reliably the expenditure attributable to the asset under development;
(ii) the product or process is technically and commercially feasible;
(iii) its future economic benefits are probable;
(iv) its ability to use or sell the developed asset; and
(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent year.

There is no development expenditure that met the criteria for capitalisation in the year.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Critical accounting estimates and assumptions

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Company to exercise their judgement in the process of applying the accounting policies which are detailed below. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period 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, are discussed below:

(a) **Allowance for trade and other receivables**

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

The allowance policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. Once a debtor has been identified as having evidence of impairment, it is regularly reviewed and an appropriate impairment provision applied.

(b) **Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) **Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

Analysis of revenue from the sales of goods is as follow:

	2015 RMB'000	2014 RMB'000
Fish	704,942	586,180
Holothurian	137,531	132,315
Cephalopods	41,753	44,003
Shrimps and shellfish	38,688	33,935
Others	55,833	59,647
	978,747	856,080

6. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Sales of scraps	9,879	7,140
Realised gain on foreign exchange	723	749
Unrealised gain on foreign exchange	955	791
Others	398	320
	11,955	9,000

7. PROFIT BEFORE TAXATION

	2015 RMB'000	2014 RMB'000
Profit before taxation is arrived at:		
After charging/ (crediting):-		
Auditors' remuneration		
- audit fees	791	1,048
- non audit fees	-	2,853
Amortisation of land use rights	44	44
Depreciation of property, plant and equipment	2,185	2,214
Directors' remuneration	3,132	674
Interest expense	2,458	2,777
Loss on disposal of plant and equipment	14	11
Research costs	297	281
Staff costs:		
- defined contribution plans	7,315	5,813
- salaries and other benefits	36,852	31,158
Gain on foreign exchange:		
- realised	(723)	(749)
- unrealised	(1,678)	(753)
Interest income	(1,037)	(739)

8. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax expense	41,390	44,939

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate is as follows:-

	2015 RMB'000	2014 RMB'000
Profit before taxation	181,794	181,945
Tax at the applicable tax rate of 25%	45,448	45,486
Tax effects of:-		
Non-deductible expenses	-	9
Under provision in prior year	448	381
Tax exempt	(5,560)	(3,321)
Tax rate differential	1,054	2,384
	41,390	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.

9. EARNINGS PER SHARE

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. The earnings per share information is as follow:

	2015	2014
Profit after taxation (RMB)	140,404,000	137,006,000
Weighted average number of ordinary shares	111,994,062	100,000,000
Basic earnings per share (RMB)	1.25	1.37

At the balance sheet date, there were 50,000 potentially dilutive ordinary shares. Potentially dilutive ordinary shares relates to warrants issued to third parties in the current year. The potential ordinary shares are anti-dilutive and therefore the diluted loss per share has not been calculated.

10. 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						
As at 1 January 2014	25,781	675	45	9,612	678	36,791
Additions	23	28	3	3,234	101	3,389
Disposals	-	(28)	-	(54)	(38)	(120)
As at 1 January 2015	25,804	675	48	12,792	741	40,060
Additions	28	-	-	9,048	129	9,205
Disposals	-	-	-	-	(142)	(142)
At 31 December 2015	25,832	675	48	21,840	728	49,123
Accumulated depreciation						
As at 1 January 2014	8,839	475	28	5,960	329	15,631
Charge for the year	1,169	57	6	879	103	2,214
Disposals	-	(24)	-	(43)	(32)	(99)
As at 1 January 2015	10,008	508	34	6,796	400	17,746
Charge for the year	1,173	45	4	857	105	2,184
Disposals	-	-	-	-	(128)	(128)
At 31 December 2014	11,181	553	38	7,653	377	19,802
Net carrying amount						
As at 31 December 2015	**14,651**	**122**	**10**	**14,187**	**351**	**29,321**
As at 31 December 2014	**15,796**	**167**	**14**	**5,996**	**341**	**22,314**

(a) All property, plant and equipment held by the Group are located in the PRC.

(b) The following property, plant and equipment have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 20 to the financial information:-

	2015 RMB'000	2014 RMB'000
At carrying amount:-		
Leasehold buildings	13,377	14,423

11. LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
At cost:-		
At 1 January/At 31 December	2,228	2,228
Accumulated amortisation:-		
At 1 January	308	264
Amortisation charge	44	44
At 31 December	352	308
Carrying amounts:-		
Amortisation due:		
- not later than one year	44	44
- later than one year	1,832	1,876
At 31 December	1,876	1,920
	m^2	m^2
Land areas	20,416	20,416

The carrying amounts of the land use rights that have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 20 to the financial information are as follows:

	2015 RMB'000	2014 RMB'000
Land use rights	1,876	1,920

Amortisation is provided to write off the cost of the land use rights over the leasehold periods of 50 years with 42 years remain.

12. INVENTORIES

	2015 RMB'000	2014 RMB'000
At cost:-		
Raw materials	29,610	27,599
Finished goods	26,017	19,911
	55,627	47,510
Recognised in profit or loss		
Inventories recognised as cost of sales	647,772	543,877

13. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

14. OTHER RECEIVABLES, DEPOSIT AND PREPAYMENT

	2015 RMB'000	2014 RMB'000
Other receivables	48	50
Advances to suppliers	-	1,909
Prepayments	4,572	912
	4,620	2,871

15. CASH AND BANK BALANCES

	2015 RMB'000	2014 RMB'000
Cash in hand	11	119
Cash at banks	380,408	193,784
Cash and bank balances	380,419	193,903
Less: Bank balances restricted in use	(4,432)	(6,327)
Cash and cash equivalents	375,987	187,576
Effective interest rate (per annum)	0.35%	0.39%

The Chinese Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

16. STATED CAPITAL

	2015	
	Number of shares	RMB'000
Issued:		
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)
At the end of the year	113,226,081	85,238

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.

17. RESERVES

	Note	2015 RMB'000	2014 RMB'000
Capital reserve	(a)	31	31
Statutory reserve	(b)	14,717	11,193
Merger reserve	(c)	7,394	7,394
Translation reserve		649	546
Distributable retained profits		451,482	322,329
		474,273	341,493

(a) Capital Reserve

Capital reserve is premium received on the issue of share capital.

(b) Statutory Reserve

According to the relevant PRC regulations and the Articles of Association of the subsidiaries, it is required to transfer 10% of each subsidiary's respective profit after income tax to its statutory surplus reserve until its reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

(c) Merger Reserve

The accounting treatment for Group reorganisations is scoped out of IFRS 3. Accordingly, as required under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors the Group has referred to current UK GAAP to assist its judgement in identifying a suitable accounting policy. The introduction of the new holding company has been accounted for as a capital reorganisation using the merger accounting principles prescribed under current UK GAAP. Therefore the consolidated financial statement of Aquatic Foods Group PLC is presented as if Aquatic Foods Group PLC has always been the holding company for the Group.

The use of merger accounting principles has resulted in a balance on Group capital and reserves that have been classified as a merger reserve and included in the Group's shareholders' funds. The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date.

18. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 60 to 90 days.

19. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Other payable	8,125	12,912
Accrued salary and bonus	7,257	6,544
Accruals	20,433	24,928
Amount owing to a director	32	9
	35,487	44,393

The amount owing to a director is unsecured, interest-free and repayable on demand.

20. BORROWINGS

	2015 RMB'000	2014 RMB'000
Trade finance	14,040	13,470
Interest-bearing bank borrowings – secured	28,000	28,000
Total amount reclassified as current liabilities	42,040	41,470

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 (Note 11)
(b) property of the Group (Note 10)
(c) personal guarantees by a director of the Group

Interest-bearing bank borrowings bear effective interest rates of 6.33% (2014: 5.75%) per annum is repayable within one year.

21. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid	7,602	-
	7,602	-

The dividends were paid at £0.07 per share.

22. RELATED PARTY DISCLOSURE

(a) Identities of related parties

The company has related party relationships with its subsidiaries as disclosed in note 1, its directors, key management personnel and entities of which the director and/or by management have significant financial interests.

(b) Other than those disclosed elsewhere in the financial information, the Group also carried out the following significant transactions with the related parties as disclosed below:-

	2015 RMB'000	2014 RMB'000
Director's remuneration:		
- short-term employee benefits	3,124	666
- defined contribution plans	8	8
	3,132	674
Other key management personnel:		
- short-term employee benefits	1,310	1,636
- defined contribution plans	27	36
	1,337	1,671
Total key management personnel remuneration	4,469	2,345

As at balance sheet date, the amount due to a director was RMB 32,000 (2014: RMB 9,000) relating the advance of a loan to the Company, which is interest free with no repayment term.

23. 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:-

	2015 RMB'000	2014 RMB'000
PRC	909,172	776,562
Outside PRC	69,574	79,518
	978,747	856,080

The segment assets are based on geographical locations of the assets, the entire non-current assets of RMB 31,197,000 (2014: RMB 24,234,000) 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.

24. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

24.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Chinese Renminbi. The currencies giving rise to this risk are primarily United States Dollar, Japanese Yen, Singapore Dollar, Great British Pound, Malaysia Ringgit and Hong Kong Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

	United States Dollar RMB'000	Japanese Yen RMB'000	Singapore Dollar RMB'000	Great British Pound RMB'000	Malaysia Ringgit RMB'000	Hong Kong Dollar RMB'000	Chinese Renminbi RMB'000	Total RMB'000
As at 31 December 2015								
Financial assets								
Trade receivables	8,327	514	-	-	-	-	297,853	306,694
Other receivables and deposit	-	-	-	-	-	-	-	-
Cash and bank balances	1	-	-	35,510	-	3	344,905	380,419
	8,328	514	-	35,510	-	3	642,758	687,113
Financial liabilities								
Trade payables	6,287	14,210	-	-	-	-	111,388	131,885
Other payables and accruals		-	459	357	-	52	34,979	35,847
Interest-bearing bank borrowings	2,962	8,048	-	-	-	-	31,030	42,040
	9,249	22,258	459	357	-	52	177,397	209,772
Net financial (liabilities)/assets	(921)	(21,744)	(459)	35,153	-	(49)	465,361	477,341
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	-	-	-	(1,728)	-	49	(465,361)	(467,040)
Currency exposure	(921)	(21,744)	(459)	33,425	-	-	-	10,301

	United States Dollar RMB'000	Japanese Yen RMB'000	Singapore Dollar RMB'000	Great British Pound RMB'000	Malaysia Ringgit RMB'000	Hong Kong Dollar RMB'000	Chinese Renminbi RMB'000	Total RMB'000
As at 31 December 2014								
Financial assets								
Trade receivables	1,115	1,939	-	-	-	-	274,012	277,066
Other receivables and deposit	-	-	-	-	-	-	50	50
Cash and bank balances	1	-	-	-	-	-	193,902	193,903
	1,116	1,939	-	-	-	-	467,964	471,019
Financial liabilities								
Trade payables	5,444	14,672	-	-	-	-	82,818	102,934
Other payables and accruals	269	-	716	6,628	2,223	28	34,529	44,393
Interest-bearing bank borrowings	2,989	10,484	-	-	-	-	28,000	41,470
‘	8,699	25,156	716	6,628	2,223	28	145,347	188,797
Net financial (liabilities)/assets	(7,583)	(23,217)	(716)	(6,628)	(2,223)	(28)	322,617	282,222
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	-	-	-	6,628	-	(28)	(322,617)	(315,961)
Currency exposure	(7,583)	(23,217)	(716)	-	(2,223)	-	-	(33,739)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market Risk (Continued)

(i) Foreign Currency Risk (Continued)

Foreign currency risk sensitivity analysis

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting periods, with all other variables held constant:-

	2015 Increase/ (Decrease) RMB'000	2014 Increase/ (Decrease) RMB'000
Effects on profit after taxation and on equity		
Great Britain Pound:		
- strengthened by 5%	1,253	-
- weakened by 5%	(1,253)	-
United States Dollar:		
- strengthened by 5%	(35)	(284)
- weakened by 5%	35	284
Japanese Yen:		
- strengthened by 5%	(815)	(871)
- weakened by 5%	815	871
Singapore Dollar:		
- strengthened by 5%	(17)	(27)
- weakened by 5%	17	27
Malaysia Ringgit:		
- strengthened by 5%	-	(83)
- weakened by 5%	-	83

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market Risk (Continued)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. The Group's policy is to obtain the most favourable interest rates available.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 24.1 (c) to the financial information.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting periods, with all other variables held constant:-

	2015 RMB'000	2014 RMB'000
Effects on profit after tax and equity		
Increase of 100 basis points	(315)	(311)
Decrease of 100 basis points	315	311

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Group's of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment. The management does not expect any losses arising from non-performance by these counterparties.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting periods.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	2015 RMB'000	2014 RMB'000
PRC	297,853	274,012
Overseas	8,841	3,054
	306,694	277,066

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (Continued)

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting periods is as follows:

	2015 RMB'000	2014 RMB'000
Not past due and not impaired	303,604	277,066
Past due but not impaired:		
- up to 30 days	3,090	-
- 31 to 90 days	-	-
- over the 90 days	-	-
	306,694	277,066

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity Risk (Continued)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting periods based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting periods):-

	Weighted average effective rate %	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Within 1 Year RMB'000	1 – 5 Years RMB'000	Over 5 Years RMB'000
As at 31 December 2015						
Trade payables	-	131,885	131,885	131,885	-	-
Other payables and accruals	-	35,847	35,847	35,847	-	-
Interest-bearing bank borrowings	6.33	42,040	43,351	43,351	-	-
		209,772	211,083	211,083	-	-

	Weighted average effective rate %	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Within 1 Year RMB'000	1 – 5 Years RMB'000	Over 5 Years RMB'000
As at 31 December 2014						
Trade payables	-	102,934	102,934	102,934	-	-
Other payables and accruals	-	44,393	44,393	44,393	-	-
Interest-bearing bank borrowings	5.75	41,470	42,894	42,894	-	-
		188,797	190,221	190,221	-	-

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirements, if any. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

There was no change in the Group's approach to capital management during the financial period under review.

The debt-to-equity ratio of the Group at the end of the financial year is not presented as its cash and cash equivalents exceeded the total debts.

24.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2015 RMB'000	2014 RMB'000
Financial Asset		
Loan and receivables financial assets		
Trade receivables	306,694	277,066
Other receivables and deposit	-	50
Cash and bank balances	380,419	193,903
	687,113	471,019
Financial Liability		
financial liabilities measured at amortised costs		
Trade payables	131,885	102,934
Other payables and accruals	35,847	44,393
Interest-bearing bank borrowings	42,040	41,470
	209,772	188,797

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 FAIR VALUES MEASUREMENTS

At 31 December 2015, there were no financial instruments carried at fair values.

The fair values of the financial assets and financial liabilities approximated their carrying amounts due to the relatively short-term maturity of the financial instruments (maturity within the next 12 months). The fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. The fair values are included in level 3 of the fair value hierarchy.

25. WARRANT ISSUED

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 fair value of the services received in consideration for the issue of the warrants was measured at the date of grant was approximately RMB 48,000. A charge of RMB 48,000 has been recognised in equity for the year within stated capital with an equivalent increase in stated capital.

26. COMMITMENTS

The Group had not entered into any material capital commitments as at 31 December 2015.

27. CONTINGENCIES

The Group has no any contingencies as at 31 December 2015.

28. ULTIMATE CONTROLLING PARTY

The directors consider there is no ultimate controlling party.

29. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year under review that have not been reflected in this report as at the date of this report.