Press Release **28 September 2016**

Aquatic Foods Group Plc

("Aquatic Foods" or "AFG" or the "Group" or the "Company")

Interim Results

Aquatic Foods Group Plc (AIM: AFG), a leading Chinese marine foods and seafood processor and producer supplying to export and local markets, today announces its unaudited results for the six months ended 30 June 2016.

Financial Highlights

- Revenue decreased by 5.6% to RMB 419 million (H1 2015: RMB 444 million) although volumes, particularly in the Company's principal fish products, have increased albeit against lower margins
- Overall gross margin has stabilised at 24.5% during H1 2016 (Q2 2016 aggregate gross margin of 24.5% compared with 24.5% in Q1 2016) although still significantly lower than in the first half of 2015 (33.0%)
- Aggregate gross profit decreased by 30.0% to RMB 103 million (H1 2015: RMB 147 million)
- Profit before tax decreased by 51.3% to RMB 49 million (H1 2015: RMB 101 million)
- Net profit after tax decreased by 51.6% to RMB 38 million (H1 2015: RMB 78 million)
- Earnings per share of RMB 0.33 (H1 2015: RMB 0.70)
- Cash as at 30 June 2016 was RMB 417 million (as at 30 June 2015: RMB 367 million)
- Interim dividend of 0.2p a share (2015 interim dividend 0.7p) reflecting the more challenging trading environment
- 51 regional distributors as at 30 June 2016 (H1 2015: 51)

Li Xianzhi, Chief Executive of Aquatic Foods, commented: "Despite the fall in profitability, AFG has performed credibly in what remains a challenging economic environment. Gross margin has stabilised, volumes continue to increase, and we have made continued progress in building new sales channels. As a result, AFG's business remains profitable and cash generative. The Directors have resolved to pay an interim dividend of 0.2p per share but will review the full year dividend in light of trading and market conditions at that time.

"The Directors expect the current challenging market conditions, reflected in cost inflation pressures combined with softening product pricing, to continue in the near term though the Board is pleased to note that gross margins achieved by the Company have stabilised. AFG's strategy in a competitive market and in the face of these pressures is to continue to focus on operational efficiency, developing new sales channels including supermarkets, increasing sales to our existing distribution network, expanding our distribution network and increasing our focus on export markets. AFG will also focus on advertising and promoting awareness of the "Zhenhaitang" brand standards. In particular, the Company is seeking to build on the success of its supply contract with Yihee International Corporation, the extension of which is expected to be considered during Q4.

"AFG adopts the highest standards for quality, safety and sustainability and is committed to producing high-end, pre-processed seafood products which provides confidence to both local PRC and overseas consumers alike. The Group's current extensive distribution network puts us in a very strong trading position and the Board is confident that, despite the current slowdown in the Chinese economy, the Group will continue to adapt and to expand its share in what is still a growing Chinese seafood and marine food market. The Group also remains committed in growing export sales and is confident that AFG will continue to leverage on its established position in the overseas market to further benefit from the high growth potential of the international seafood market.

"Whilst the Board is mindful of the potential challenges that lie ahead in the short term, the Board believes that these challenges also present potential growth and expansion opportunities for the Group. AFG's strong cash position allows the Group to take advantage of the challenging market environment to potentially grow and increase its presence within China through mergers and acquisitions as well as expanding through increasing process automation."

For further information:

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Chief Executive's Review

Operations in the first half of 2016 have been subdued, reflecting the continuation of the challenging business environment in the second half of 2015 caused by the slowdown of economic growth in China, the adverse impact from foreign exchange together with operating in a highly competitive market place. Against this volatile market backdrop, the Group experienced a decline in average selling prices across all product categories, and this has resulted in a decline in revenue by 5.6% to RMB 419 million (H1 2015: RMB 444 million). Cost of sales increased by 6.4%, in line with the increase in sale volume and general cost inflation which has also been impacted by foreign exchange.

Gross profit for H1 2016 was RMB 103 million and gross margin was 24.5% (H1 2015: RMB 147 million and 33% respectively). The fall in gross margin occurred in the second half of 2015 and has stabilised over the first half of 2016 at the current 24.5% level. Cost inflation remains an issue, especially raw materials, accessories and packaging materials and labour costs. Provided that the economic situation does not significantly worsen we expect that margins will not deteriorate further by a material amount, however we continue to monitor the situation closely.

As a result of this fall in gross profit, coupled with a modest increase in expenses, profit before tax and profit after tax fell to RMB 49 million (H1 2015: RMB 101 million) and RMB 38 million (H1 2015: RMB 78 million) respectively after taking into account foreign exchange losses of RMB 5 million, of which RMB 3 million related to an unrealized loss arising from translation of bank balances denominated in GBP.

AFG remains highly cash generative and the Group maintains a strong balance sheet with cash as at 30 June 2016 amounting to RMB 417 million (as at 31 Dec 2015: RMB 380 million). As the Group seeks to expand in the difficult operating environment, it is anticipated that the working capital requirement will increase due to enhanced credit terms and higher inventory levels.

As at 30 June 2016, AFG had 51 regional distributors (H1 2015: 51), covering 16 provinces, municipalities and autonomous regions in China. The Group works closely with its distributors to monitor performance and grow sales and remains committed to identifying and appointing new distributors to further expand its coverage in both urban and rural areas in China.

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

Product categories

Revenue breakdown by product category	**Six months 30 June 2016 Unaudited**	Six months 30 June 2015 Unaudited	**Changes %**	Year ended 31 December 2015 Audited
Currency: RMB'000				
Fish	282,052	301,114	-6.3%	704,942
Sea Cucumbers	63,849	65,199	-2.1%	137,531
Cephalopods	28,449	26,923	5.7%	41,753
Shrimp & Shellfish	23,876	25,864	-7.7%	38,688
Others	20,762	24,853	-16.5%	55,833
Total	418,988	443,953	-5.6%	978,747

Sale volume breakdown by product category	**Six months 30 June 2016**	Six months 30 June 2015	**Changes %**	Year ended 31 December 2015
Thousand kilograms				
Fish	8,564	8,091	5.8%	19,062
Sea Cucumbers	22	23	-4.8%	49
Cephalopods	852	774	10.1%	1,116
Shrimp & Shellfish	640	646	-1.0%	993
Others	239	246	-2.6%	558
Total	10,317	9,780	5.5%	21,778

Gross Margin by Product Category	**Six months 30 June 2016 Unaudited**	Six months 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
Fish	23%	32%	27%
Sea Cucumbers	30%	42%	36%
Cephalopods	25%	31%	29%
Shrimp & Shellfish	26%	31%	30%
Others	25%	32%	27%
Total	25%	33%	28%

Fish

Sales of fish products accounted for approximately 67% of Group's revenue (H1 2015: 68%). The Group's top three fish products are mackerel, saury and cod. The revenue generated from fish products decreased by approximately 6% compared with H1 2015. This decrease was principally due to decrease in average unit selling price, which was in turn due to the slower consumer spending and increase competition in China.

Compared with H1 2015, sales volume of fish products, in kilograms, increased by approximately 6% and cost of sales increased by approximately 6%, which was in line with the increase in sales volume during the period under review. The average unit cost of fish products remained stable.

The lower average prices have resulted in a reduction in gross profit margin of fish products to 23% (H1 2015: 32%).

Sea Cucumbers

Sales of sea cucumber products decreased slightly by 2% compared with H1 2015. This has been impacted by the Chinese Government's anti-corruption policy, which has resulted in lower spending on corporate entertainment and banquets as well as high value gift practices in business. This has led to a fall in sales volume of sea cucumber products by approximately 5% compared with H1 2015.

Compared with H1 2015, average unit selling price increased modestly by approximately 3%, pressured by the rising cost, whilst average unit cost increased significantly by 24% mainly as a result of higher raw material input cost. This has resulted in a fall in gross margin to 30% (H1 2015: 42%).

Cephalopods

Sales of Cephalopods (principally squid and cuttlefish), though only a modest proportion of total group sales, were the only product category that has reported a revenue growth compared with H1 2015, driven by higher sales volume.

Sales of cephalopods products increased by approximately 6% in value and 10% in volume compared with H1 2015. Nevertheless, gross margin declined to 25% (H1 2015: 31%) due to lower average unit selling price and higher unit cost.

Shrimp and Shellfish

Sales value decreased by approximately 8% whilst volume decreased by approximately 1% compared with H1 2015, reflecting the general price pressure in the current market. As a result, gross profit margins were down to approximately 26%.

Others

These are primarily sales of gift boxes. Sales decreased by 16% and cost of sales decreased by 8%. Gross profit were down to 25% (H1 2015: 30%), reflecting the general price pressure in the market.

Strategy

The Board continues to evaluate options for expanding capacity through outsourcing, increasing process automation and expanding to an additional site or acquiring an existing factory from a third party. As previously noted, 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 AFG's continued business success. The Group's core brand "Zhenhaitang" has, in recent years, achieved wider recognition and awareness in the marine foods and seafood industry in the PRC. The Group plans to continue its focus on advertising and promotion and will carry out further cross-promotion for different product types. The Group will also continue to support its regional distributors to establish further "Zhenhaitang" branded retail stores where appropriate to do so.

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

While market growth in China has slowed, the Group is taking 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.

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

Outlook

The Group's operating environment remains challenging and the Board expects these challenging conditions to continue in the near term. However, whilst gross margin declined in the last 12 months, AFG is now seeing a stabilisation in gross margins at around 24% since April 2016.

Whilst the Board is mindful of the potential challenges that lie ahead in the short term, the Board believes that these challenges also present potential growth and expansion opportunities for the Group. AFG's strong cash position allows the Group to take advantage of this difficult time to grow and increase its presence within China by mergers and acquisitions as well as expanding through increasing process automation.

In the wider PRC market, demand has continued to move towards pre-processed and ready to eat products as opposed to the procurement of daily foods from traditional markets. These consumers are the major consumption group of natural seafood products as they pursue a healthier lifestyle. Such consumers are concerned about food hygiene and safety and look to recognised branded goods, where the brand values support enhanced food safety.

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

As a result of increasing popularity of English and Scottish fish products and to satisfy this increasing demand, the Group has entered into the following new contracts with English and Scottish based suppliers:

- a US $850,000 purchase contract with Peterhead based supplier Northbay Pelagic for the supply of 615 metric tonnes of Atlantic Mackerel per annum.
- a contract with Scottish based supplier Lunar Freezing & Cold Storage for the supply of 575 metric tonnes of mackerel
- a contract with Seychelles based supplier Flying Fish International for the supply of 162 metric tonnes of mackerel

As a result of these recent contracts, AFG has become one of the leading importers of fish from the UK amongst other Chinese companies and this is expected to continue to increase its credibility and profile in the industry in the UK.

The Group will continue to look for strategic alliances and partnerships in the UK as well as other parts of the world to diversify its supply chain.

As an established and modern marine foods supplier and retailer, the Board is confident that, despite current slowdown of the Chinese economy, the Group will continue to adapt and to expand its market share in what is still a growing Chinese seafood and marine food market. The Group also remains committed in growing export sales and is confident that AFG will continue to leverage on its established position in the overseas market to benefit further from the high growth potential of the international seafood market.

Appointment and Resignation of Directors

On 9 August 2016, Aquatic Foods appointed Ms Po Ling Low as Finance Director to fill the vacancy following the departure of Mr Sean Lim on 3 February 2016. Ms Low is a qualified accountant with over 18 years' experience across the UK and Asia. Ms Low has worked in the PRC in the last 8 years and was the finance director of a Chinese company which had previously been listed on AIM before moving to a Hong Kong main board listing in 2010. Pursuant to her appointment, Ms. Low has been granted a total of 500,000 warrants over Ordinary Shares and the details of these warrants shares can be found on AFG's RNS announcement dated 9 August 2016. The Board is confident that Ms Low's appointment as Finance Director will be invaluable to the Company as AFG continues to improve its operational efficiency and expand in both the local Chinese and international markets.

Dividends

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

Given the positive cash flow of the Group and profitability during the first half of the year, the Board is pleased to announce that the Group intends to retain an interim dividend however this has been reduced to 0.2 pence per share reflecting the more challenging trading environment in which the Company is operating. While the Company retains a strong balance sheet and cash position, the Board has considered future costs relating to the planned expansion as well as the desire to retain a significant cash buffer to provide future business flexibility.

The interim dividend will be payable around 1 November 2016 to shareholders on the register at the close of business on Friday, 7 October 2016. The shares will go ex-dividend on 6 October 2016. The Board intends to review the level of full year dividend in light of the trading results for the year and market conditions at that time.

Li Xianzhi
Chief Executive Officer
27 September 2016

Condensed Consolidated Statements of Comprehensive Income

	Note	**Six months 30 June 2016 Unaudited RMB'000**	Six months 30 June 2015 Unaudited RMB'000
Revenue		**418,988**	443,953
Cost of sales		**(316,363)**	(297,264)
Gross profit		**102,625**	146,689
Other income		**4,755**	5,086
Selling and distribution expenses		**(43,592)**	(40,290)
Administrative expenses		**(7,969)**	(9,186)
Other operating expenses		**(5,338)**	(81)
Operating profit		**50,481**	102,218
Finance income		**505**	477
Finance costs		**(1,574)**	(1,219)
Profit on ordinary activities before taxation		**49,412**	101,476
Income tax expense	**4**	**(11,756)**	(23,728)
Profit after taxation		**37,656**	77,748
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**594**	2,778
Total comprehensive income attributable to owners of the parent		**38,250**	80,526
Earnings per share (EPS):			
Basic and diluted	**5**	**0.33**	0.70

Condensed Consolidated Statements of Financial Position
As at 30 June 2016

	Note	**As at 30 June 2016 Unaudited RMB'000**	As at 30 June 2015 Unaudited RMB'000	As at 31 December 2015 Audited RMB'000
Non-current assets				
Property, plant and equipment	**6**	**27,925**	21,238	29,321
Land use rights	**7**	**1,853**	1,898	1,876
		29,778	23,136	31,197
Current assets				
Inventories	**8**	**46,939**	36,827	55,627
Trade receivables		**247,372**	226,053	306,694
Other receivables, deposit and prepayment	**9**	**228**	186	4,620
Cash and bank balances		**417,083**	366,630	380,419
		711,622	629,696	747,360
Total Assets		**741,400**	652,832	778,557
Current liabilities				
Trade payables		**76,770**	71,917	131,885
Other payables and accruals		**24,020**	26,085	35,847
Short term borrowings		**36,511**	37,042	42,040
Income tax payable		**6,338**	10,531	9,274
		143,639	145,575	219,046
Equity				
Stated capital	**10**	**85,238**	85,238	85,238
Reserves		**512,523**	422,019	474,273
		597,761	507,257	559,511
Total Equity and Liabilities		**741,400**	652,832	778,557

Condensed Consolidated Statements of Changes in Equity
For the six month period ended 30 June 2016 (Unaudited)

	Stated Capital	Capital reserve	Statutory reserve	Merger reserve	Translation reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	-	31	11,193	7,394	546	322,329	**341,493**
Profit for the period	-	-	-	-	-	77,748	**77,748**
Other comprehensive income:							
Foreign currency translation differences for foreign operations	-	-	-	-	2,778	-	**2,778**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,778**	**77,748**	**80,526**
Issuance of share capital	87,167	-	-	-	-	-	**87,167**
Share issue costs	(1,929)	-	-	-	-	-	**(1,929)**
Balance at 30 June 2015	**85,238**	**31**	**11,193**	**7,394**	**3,324**	**400,077**	**507,257**
Profit for the period	-	-	-	-	-	62,656	**62,656**
Other comprehensive income:							
Foreign currency translation differences for foreign operations	-	-	-	-	(2,675)	-	**(2,675)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(2,675)**	**62,656**	**59,981**
Dividend paid	-	-	-	-	-	(7,727)	**(7,727)**
Transfer to statutory reserve	-	-	3,524	-	-	(3,524)	**-**
Balance at 31 December 2015	**85,238**	**31**	**14,717**	**7,394**	**649**	**451,482**	**559,511**
Profit for the period	-	-	-	-	-	37,656	**37,656**
Other comprehensive income:							
Foreign currency translation differences for foreign operations	-	-	-	-	594	-	**594**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**594**	**37,656**	**38,250**
Balance at 30 June 2016	**85,238**	**31**	**14,717**	**7,394**	**1,243**	**489,138**	**597,761**

Condensed Consolidated Statements of Cash Flows
For the six month period ended 30 June 2016

	Six months 30 June 2016 Unaudited RMB'000	Six months 30 June 2015 Unaudited RMB'000
Cash flow from operating activities		
Profit before taxation	**49,412**	101,476
Adjustment for:		
Amortisation of land use rights	**23**	22
Depreciation of property, plant and equipment	**1,494**	1,096
Interest expense	**1,574**	1,219
Unrealised loss on foreign exchange	**2,944**	-
Interest income	**(505)**	(477)
Operating cash flows before movements in working capital	**54,942**	103,336
Decrease / (increase) in inventories	**8,688**	10,683
Decrease / (increase) in trade and other receivables	**63,714**	53,697
(Decrease) / increase in trade and other payables	**(66,942)**	(49,325)
Cash generated from operating activities	**60,402**	118,391
Interest paid	**(1,574)**	(1,219)
Income tax paid	**(14,692)**	(28,491)
Net cash generated from operating activities	**44,136**	88,681
Cash flows (for)/from investing activities		
Acquisition of property, plant and equipment	**(98)**	(20)
Interest received	**505**	477
Net cash used in/ generated from investing activities	**407**	457
Cash flows from/(for) financing activities		
Proceeds from issue of share capital	**-**	87,167
Share issue costs	**-**	(1,929)
Net drawdown of interest-bearing bank borrowings	**(5,529)**	(4,428)
Net cash generated from/ (use in) financing activities	**(5,529)**	80,810
Net increase in cash & cash equivalents	**39,014**	169,948
Effects of foreign exchange translation	**(2,350)**	2,779
Cash and equivalent at beginning of year	**380,419**	187,576
Cash and equivalent at end of year	**417,083**	360,303

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

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

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

The interim consolidated financial statements are presented in the nearest thousands of Renminbi (RMB'000), which is the presentation currency of the group. The functional currency of each of the individual entity is the local currency of each individual entity. For reference the period end exchange rate from Pounds Sterling to RMB was 8.9212 (30 June 2015: 9.748 and 31 December 2015: 9.5923).

2. BASIS OF PREPARATION

The interim consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The principal accounting policies used in preparing the interim results are the same as those applied in the Group's Financial Statements as at and for the year ended 31 December 2015.

The interim financial information has not been reviewed nor audited by the Company's auditors. A copy of the audited consolidated financial statements for the period ended 31 December 2015, which was prepared under IFRS, is available on the Company's website.

The interim report for the six months ended 30 June 2016 was approved by the Directors on 27 September 2016.

3. OPERATING SEGMENTS

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

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

Geographical Segments

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

	30 June 2016 RMB'000	30 June 2015 RMB'000
PRC	**387,036**	414,041
Outside PRC	**31,952**	29,912
	418,988	443,953
Non-current assets	**29,778**	**23,136**

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

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

4. INCOME TAX EXPENSE

	30 June 2016 RMB'000	30 June 2015 RMB'000
Current tax expenses	11,756	23,728

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

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

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

5. EARNINGS PER SHARE

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

	30 June 2016	30 June 2015
Profit after taxation (RMB)	**37,656,000**	77,748,000
Weighted average number of ordinary shares	**113,226,081**	110,741,624
Basic earnings per share	**0.33**	0.70

At 30 June 2016, there were 50,000 potentially dilutive ordinary shares. Potentially dilutive ordinary shares relates to warrants issued to third parties. The potential ordinary shares are anti-dilutive and therefore the diluted earnings per share is the same as basic earnings per share.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	**Office equipment RMB'000**	**Research equipment RMB'000**	**Plant and machinery RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
Cost						
Pro forma as at 1 January 2015	25,804	675	48	12,792	741	40,060
Additions	14	-	-	6	-	20
Disposals	-	-	-	-	-	-
At 30 June 2015	25,818	675	48	12,798	741	40,080
Additions	14	-	-	9,042	129	9,185
Disposals	-	-	-	-	(142)	(142)
At 31 December 2015	25,832	675	48	21,840	728	49,123
Additions	8	46	-	44	-	98
Disposals	-	-	-	-	-	-
At 30 June 2016	25,840	721	48	21,884	728	49,221
Accumulated depreciation						
Pro forma as at 1 January 2015	10,008	508	34	6,796	400	17,746
Charge for the period	586	24	3	428	55	1,096
Disposals	-	-	-	-	-	-
At 30 June 2015	10,594	532	37	7,224	455	18,842
Charge for the period	587	21	1	429	50	1,088
Disposals	-	-	-	-	(128)	(128)
At 31 December 2015	11,181	553	38	7,653	377	19,802
Charge for the period	589	17	2	829	57	1,494
Disposals	-	-	-	-	-	-
At 30 June 2016	11,770	570	40	8,482	434	21,296
Net carrying amount						

As at 30 June 2016	**14,070**	**151**	**8**	**13,402**	**294**	**27,925**
As at 31 December 2015	**14,651**	**122**	**10**	**14,187**	**351**	**29,321**
As at 30 June 2015	**15,224**	**143**	**11**	**5,574**	**286**	**21,238**

7. LAND USE RIGHTS

	30 June 2016	30 June 2015	31 December 2015
	RMB'000	RMB'000	RMB'000
At cost:-			
Opening at 1 Jan	**2,228**	2,228	2,228
Accumulated amortisation:-			
Opening balance	**352**	308	308
Amortisation charge	**23**	22	44
Closing balance	**375**	330	352
Carrying amounts:-			
At 30 June / 31 December	**1,853**	1,898	1,876

8. INVENTORIES

	30 June 2016 RMB'000	30 June 2015 RMB'000	31 December 2015 RMB'000
At cost:-			
Raw materials	**28,461**	23,332	29,610
Finished goods	**18,478**	13,495	26,017
	46,939	36,827	55,627

9. OTHER RECEIVABLES, DEPOSIT AND PREPAYMENT

	30 June 2016 RMB'000	30 June 2015 RMB'000	31 December 2015 RMB'000
Other receivables	**123**	115	48

Prepayments	**105**	71	4,572
	228	186	4,620

10. STATED CAPITAL

	Number of shares	RMB'000
Issued:		
As at 1 Jan 2015	50,000,000	-
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)
As at 30 June 2015, 31 December 2015 and 30 June 2016	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.

11. SEASONALITY OF THE GROUP BUSINESS

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

12. BORROWING

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

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

Interest-bearing bank borrowings were secured by:

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

13. WARRANTS

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