HUISHENG INTERNATIONAL HOLDINGS LIMITED
惠生國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340

Annual Report 2013

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ding Biyan, *Chairman*
Mr. Yu Jishi
Mr. Ding Jingxi
Mr. Zhou Shigang

Non-Executive Director

Mr. Zhang Zhizhong

Independent Non-Executive Directors

Mr. Ma Yiu Ho, Peter
Mr. Deng Jinping
Mr. Liao Xiujian

COMPANY SECRETARY

Mr. Foo Tin Chung, Victor, *HKICPA, CPA (Aust.)*

AUTHORISED REPRESENTATIVES

Mr. Yu Jishi
Mr. Foo Tin Chung, Victor, *HKICPA, CPA (Aust.)*

AUDIT COMMITTEE

Mr. Ma Yiu Ho, Peter, *Committee Chairman*
Mr. Deng Jinping
Mr. Liao Xiujian

REMUNERATION COMMITTEE

Mr. Liao Xiujian, *Committee Chairman*
Mr. Ding Biyan
Mr. Ma Yiu Ho, Peter

NOMINATION COMMITTEE

Mr. Deng Jinping, *Committee Chairman*
Mr. Yu Jishi
Mr. Liao Xiujian

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE OF THE COMPANY

www.hsihl.com

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Unit 4
Hejiaping Housing Committee
Deshan Town Economic and
Technological Development Zone
Changde City, Hunan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 901, 9th Floor
Loon Kee Building
267–275 Des Voeux Road Central
Sheung Wan
Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISERS

As to Cayman Islands Law:
Conyers Dill & Pearman (Cayman) Limited

As to Hong Kong Law:
Cheung & Lee in association
with Locke Lord (HK) LLP

PRINCIPAL BANKERS

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Huarong Xiangjiang Bank

STOCK CODE

1340

TO THE SHAREHOLDERS

On behalf of the board of directors (the "Board"), I am pleased to present the audited financial results of Huisheng International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2013.

BUSINESS REVIEW

The Group is one of the largest pork suppliers in terms of revenue in 2012 in Changde, Hunan Province, the People's Republic of China (the "PRC"), principally engaged in the production and sale of pork products. The Group's operation mainly involves hog slaughtering as well as hog breeding and hog farming. The majority of its revenue was generated from the sale of pork products to customers in Hunan Province, the PRC. Currently, the Group's slaughterhouse situated at Wuling District of Changde is one of the 12 "Class A Hog Slaughtering Enterprises (A類合格生豬定點屠宰企業)" in Changde recognised by the People's Government of Changde in 2013 and also the only hog slaughterhouse authorised by the People's Government of Changde in the city areas of Changde. Pork products of the Group include fresh, chilled, frozen pork and side products as well as processed pork products including cured pork and sausages.

During the year, the Group continued to implement the strategies of streamlining and vertically-integrating its operation. Phase one of the Group's new production base situated at Changde Economic and Technology Development Zone (常德經濟技術開發區) (the "New Production Base") for slaughtering and processing of pork products has been completed and put into trial operation since December 2013. It comprises a new slaughterhouse with an annual maximum slaughtering capacity of approximately 1,000,000 hogs and pork carving facilities with annual maximum capacity of approximately 30,000 tons of pork as well as freezer storage facilities, and will gradually take over the hog slaughtering and pork processing operation of the old slaughterhouse in Wuling District of Changde.

In 2013, we also constructed a new breeding farm in Linli County (臨澧縣), Changde, Hunan Province, with an area of approximately 36,000 square metres and a planned maximum farming capacity of approximately 2,160 sows and an expected annual maximum output capacity of approximately 43,000 piglets. It has been put into trial operation since November 2013. The construction of three other new breeding farms in Wuxihe Xiang (浯溪河鄉), Dingjiagang Xiang (丁家港鄉) and Huangtudian Town (黃土店鎮), Hunan Province, is also underway and is expected to be completed around the third to fourth quarter of 2014.

OUTLOOK AND FUTURE PROSPECTS

It is the Group's strategy and ultimate goal to streamline and vertically integrate its entire business operation through further implementation of the breeding and farming model as described in the prospectus of the Company dated 17 February 2014 (the "Prospectus") and expansion of its hog slaughtering capacity in order to ensure a stable supply of quality hogs and minimise reliance on third party hog suppliers in the future. The Group believes that such expansion will strengthen its market reputation and enhance its market penetration in Hunan Province as well as other areas in the PRC, and to become a nationwide pork supplier.

The Group is currently undertaking phase two development of the New Production Base, which comprises additional pork processing facilities and freezer storage facilities, which are expected to be put into trial operation around the second quarter and towards the end of 2014 respectively. The New Production Base is built with a high quality standard and equipped with more advanced production equipment, thus the Group could enjoy cost savings through maximising production efficiency. It will be capable of producing new downstream products of up to 10,000 tons including quick frozen food and pork bone-related products, which allow the Group to diversify its product offering. Together with phase one development, the increased slaughtering capacity and pork carving capacity as well as freezer storage capacity will help the Group to meet the increasing demand for its products and increase its market penetration within and outside Hunan Province.

The Group is constructing three new breeding farms in Wuxihe Xiang (浯溪河鄉), Dingjiagang Xiang (丁家港鄉) and Huangtudian Town (黃土店鎮), Hunan Province. These new breeding farms will have better designs and layouts and will be equipped with more advanced equipment. More advanced farming techniques will be employed in these new breeding farms, thus could improve the Group's farm management and enhance its operational and management efficiency. The new farms could also provide a better living and resting environment for the sows, which the Group believes that it is one of the most important factors in promoting the health of its sows and thus the quality of its pork products. Even though there are some difficulties in the construction of the new breeding farm in Wuxihe Xiang due to its terrain situation, the management will endeavour to resolve the problems and complete the construction of the new breeding farms on schedule.

APPRECIATION

On behalf of the Board, I would like to express my most sincere gratitude towards the continual support from the shareholders and the valuable contributions of the staff. The management team will continue to fulfill its duties to create more values for the shareholders.

Ding Biyan
Chairman

Hong Kong, 27 March 2014

RESULTS OF OPERATIONS

The Group's revenue increased by approximately RMB58.8 million, or 5.6%, from approximately RMB1,047.6 million for the year ended 31 December 2012 to approximately RMB1,106.4 million for the year ended 31 December 2013. The increase in revenue was primarily attributable to the increase in overall sales volume of its major pork products, which includes fresh pork, chilled pork, frozen pork and side products, by approximately 4.8% for the year ended 31 December 2013 as compared to the year ended 31 December 2012.

The Group's gross profit increased by approximately RMB12.0 million, or 9.1%, from approximately RMB132.2 million for the year ended 31 December 2012 to approximately RMB144.2 million for the year ended 31 December 2013 which was in line with the increase in its revenue mainly due to the increase in overall sales volume of its major pork products. The Group's gross profit margin increased slightly from approximately 12.6% for the year ended 31 December 2012 to approximately 13.0% for the year ended 31 December 2013 which was primarily attributable to the decrease in average cost of hogs purchased from third party suppliers resulted from the decrease in market price of hogs during the year ended 31 December 2013.

The Group's other income increased by approximately RMB2.1 million, or 123.5%, from approximately RMB1.7 million for the year ended 31 December 2012 to approximately RMB3.8 million for the year ended 31 December 2013 primarily attributable to the increase in government grants.

The Group's selling and distribution expenses remained stable at approximately RMB13.8 million for the year ended 31 December 2013 as compared to that of approximately RMB13.5 million for the year ended 31 December 2012. The Group's selling and distribution expenses as a percentage to revenue also remained stable at approximately 1.3% and 1.2% for the years ended 31 December 2012 and 2013 respectively.

The Group's administrative expenses increased by approximately RMB3.8 million, or 22.1%, from approximately RMB17.2 million for the year ended 31 December 2012 to approximately RMB21.0 million for the year ended 31 December 2013. The increase was primarily due to the increase in legal and professional fees from approximately RMB6.0 million for the year ended 31 December 2012 to approximately RMB8.4 million for the year ended 31 December 2013 primarily related to the listing expenses incurred in accordance with the terms of engagements entered into with professional parties during the course of the Company's listing exercise.

The Group's finance costs increased by approximately RMB4.3 million, or 72.9%, from approximately RMB5.9 million for the year ended 31 December 2012 to approximately RMB10.2 million for the year ended 31 December 2013 primarily attributable to interest charges on the collective notes of RMB60.0 million issued in January 2013.

The Group's profit for the year increased by approximately RMB7.9 million, or 8.4%, from approximately RMB94.1 million for the year ended 31 December 2012 to approximately RMB102.0 million for the year ended 31 December 2013. The Group's net profit margin slightly increased from approximately 9.0% for the year ended 31 December 2012 to approximately 9.2% for the year ended 31 December 2013. The increase in net profit and net profit margin was mainly attributable to the increase in both revenue and gross profit margin as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2013, the Group had bank and cash balances of approximately RMB280.8 million (31 December 2012: RMB202.6 million). The Group also had net current assets of approximately RMB227.9 million, which increased by approximately RMB79.2 million as compared with that as at 31 December 2012. The total non-current assets of the Group were approximately RMB294.8 million as at 31 December 2013 (31 December 2012: RMB155.1 million). The increase in the Group's total non-current assets was mainly attributable to the increase in property, plant and equipment related to the foundation work of the New Production Base and the new breeding farm in Linli County (臨澧縣), Changde, Hunan Province, and the new investment in Changde Jiuding Agriculture Co., Ltd. (常德九鼎農牧有限公司).

The Group also had several outstanding borrowings with an aggregate amount of approximately RMB53.0 million as at 31 December 2013 (31 December 2012: approximately RMB64.8 million) with fixed interest rates ranging from 7.2%–12.0% per annum (2012: 7.2%–12.0%). In January 2013, the Group issued collective notes to institutional investors of the Inter-bank Bond Market of the PRC at the principal amount of RMB60.0 million with a fixed interest rate at 5.9% per annum.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The directors of the Company (the "Directors") believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Renminbi, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2013, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE ON GROUP ASSETS

As at 31 December 2013, the Group has pledged certain buildings, construction in progress and prepaid lease payments of approximately RMB129,889,000.

GEARING RATIO

The Group's gearing ratio (being total debts which are the summation of borrowings, notes payable, loan from government and amount due to a shareholder divided by total equity and multiplied by 100%) increased to approximately 24.0% in 2013 from approximately 22.1% in 2012.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

In April 2013, Hunan Huisheng Meat Products Company Limited* (湖南惠生肉業有限公司) ("Hunan Huisheng"), the Company's operating subsidiary, entered into an agreement with Yueyang Jiuding Agriculture Co., Ltd.* (岳陽九鼎農牧有限公司) to acquire 6% of the entire equity interest in Changde Jiuding Agriculture Co., Ltd.* (常德九鼎農牧有限公司) at an aggregate consideration of RMB1.5 million. Changde Jiuding Agriculture Co., Ltd.* (常德九鼎農牧有限公司) is principally engaged in the production of feed. The transaction was completed in April 2013 and recognised as an available-for-sale investment as at 31 December 2013.

SIGNIFICANT INVESTMENT

Save as described in this annual report, there was no other significant investment during the year.

CONTINGENT LIABILITIES

As at 31 December 2013, the Directors were not aware of any material contingent liabilities.

SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2013:

(a) Capitalisation of share capital

As part of the Listing (as defined in (b) below), 299,989,581 shares of HK$0.01 each in the share capital of the Company (the "Shares") were issued, credited as fully paid by way of capitalisation of share premium on the proceeds from the allotment of 100,000,000 Shares in the manner as detailed in the Prospectus.

(b) Global offering and allotment of shares to public equity holders

On 28 February 2014, the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by offering 100,000,000 new Shares at HK$2.05 per Share, being the final offer price under the global offering, (the "Listing") with net proceeds of approximately HK$164.1 million received by the Company in respect of the issuance of new Shares.

Immediately upon completion of the capitalisation and the global offering, the Company had 400,000,000 issued Shares.

(c) Allotment of shares upon exercise of the Over-allotment Option

The Company granted an option (the "Over-allotment Option") to the underwriters of the International Offering (as defined in the Prospectus), pursuant to which the Company may be required to allot and issue up to an aggregate of 18,000,000 additional Shares at HK$2.05 per Share to cover over-allocations in the International Offering. The Over-allotment Option was partially exercised on 21 March 2014 and an aggregate of 2,484,000 new Shares were issued accordingly. The net proceeds of approximately HK$4.9 million was received by the Company. Please refer to the announcement of the Company dated 24 March 2014 for further details.

* Unofficial transliteration from its Chinese name for identification purposes only

FOREIGN EXCHANGE EXPOSURE

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed about 450 staff and workers in Hong Kong and the PRC (31 December 2012: 450). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

CAPITAL STRUCTURE

The Shares have been listed on the Stock Exchange since 28 February 2014 (the "Listing Date"). On 21 March 2014, an aggregate of 2,484,000 Shares were issued pursuant to the partial exercise of the Over-allotment Option. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises 402,484,000 Shares and other reserves.

EXECUTIVE DIRECTORS

Mr. Ding Biyan (丁碧燕), aged 50, is the chairman and an executive Director of the Company and a director of Hunan Huisheng, being responsible for the strategic development and planning of the Group. Mr. Ding was appointed as a Director in September 2011. Mr. Ding is the founder of the Group and one of the controlling shareholders of the Company (the "Controlling Shareholders") and is the sole shareholder and director of Huimin Holdings Limited, which is holding approximately 42.6% of the total issued share capital of the Company. Prior to establishing the Group, Mr. Ding had been an engineer of Changde No.1 Construction Company* (常德市第一建築工程有限責任公司) ("Changde Construction") since September 2000. In 2002, Mr. Ding established Jinda Commercial Concrete Co., Ltd* (常德市金達商品砼有限責任公司) ("Jinda Concrete", which engaged in cement business). Mr. Ding graduated from the CPC Hunan Provincial Committee Party School* (中共湖南省委黨校), majoring in economic management with a diploma in June 2001. Mr. Ding is a brother of Mr. Ding Jingxi, the executive Director.

Mr. Yu Jishi (于濟世), aged 46, is the chief executive officer of the Company and executive Director and a director of Hunan Huisheng, being responsible for the overall management of the Group's business operations. Mr. Yu was appointed as a Director in February 2014. Mr. Yu is one of the Controlling Shareholders. Prior to joining the Group, Mr. Yu worked at various departments of the rural area offices in Changde from July 1985 to July 2006. Mr. Yu was also a representative of the 15th People's Congress of Wuling District of Changde* (常德武陵區人民代表大會). He obtained the qualification of tutoring qualified meat inspectors* (肉品品質檢驗人員教師資格) of the PRC in September 2010. Mr. Yu obtained his diploma in regional economics from the Graduate School of the People's University of China* (中國人民大學研究生院) in August 1998. Mr. Yu has been a member of the jury for the People's Court of Huling District of Changde City, Hunan Province* (湖南省常德市武陵區人民法院) from August 2008 to August 2013.

Mr. Ding Jingxi (丁敬喜), aged 42, is an executive Director and the deputy general manager of Hunan Huisheng, being responsible for the management of production facilities and public relations. Mr. Ding was appointed as a Director in February 2014. Mr. Ding Jingxi is one of the Controlling Shareholders and a brother of Mr. Ding Biyan, the executive Director. Mr. Ding joined the Group as director of Hunan Huisheng in November 2007 and has also acted as a director of Linli Huisheng Meat Products Company Limited* (臨澧惠生肉業有限公司) and Linli Huisheng Ecological Hog Breeding Company Limited* (臨澧惠生生態豬養殖有限公司) since their establishment. Prior to joining the Group, Mr. Ding worked at Changde Construction from July 1992 to February 2002, and acted as the manager of Jinda Concrete from 2003 to 2006. Mr. Ding Jingxi obtained his diploma in civil engineering from Wuhan University (武漢大學) through a distance learning course in July 1992.

Mr. Zhou Shigang (周詩剛), aged 39, is an executive Director, being responsible for the overall administration of the Group. Mr. Zhou was appointed as a Director in February 2014. Mr. Zhou is one of the Controlling Shareholders. Mr. Zhou joined the Group as the head of the general administration department of Hunan Huisheng in November 2007 and became its director in January 2009. Prior to joining the Group, Mr. Zhou worked as the head of production at Jinda Concrete from February 2002 to January 2005. Mr. Zhou obtained his diploma in marketing from Hunan University of Commerce* (湖南商學院) in December 1999.

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NON-EXECUTIVE DIRECTOR

Mr. Zhang Zhizhong (張志忠), aged 45, was appointed as a non-executive Director in February 2014. Mr. Zhang is one of the Controlling Shareholders and is a director of Jisheng Holdings Limited, which is holding approximately 20.4% of the total issued share capital of the Company. He joined the Group as director of Hunan Huisheng in November 2007. Prior to joining the Group, Mr. Zhang worked at Changde Construction from September 1990 to May 2002, engaging in construction projects management, and acted as the financial manager of Jinda Concrete from April 2003 and was promoted to be the general manager in March 2004, being responsible for its daily operation and management. Mr. Zhang obtained a diploma in legal studies from Hunan Radio & TV University* (湖南廣播電視大學) in January 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Yiu Ho, Peter (馬遙豪), aged 49, was appointed as an independent non-executive Director in February 2014. He is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a master degree of business administration from the Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field. Mr. Ma is currently and has been an independent non-executive director and chairman of the audit committee of Convoy Financial Services Holdings Limited (stock code: 1019) and China Packaging Holdings Development Limited (stock code: 1439) since March 2010 and December 2013 respectively, both are listed companies on the Main Board of the Stock Exchange.

Mr. Deng Jinping (鄧近平), aged 50, was appointed as an independent non-executive Director in February 2014. He has been a post doctoral fellow and tutor of the College of Animal Science and Technology of Hunan Agricultural University* (湖南農業大學動物科學技術學院) since December 2008, focusing on animal nutrition and breeding biology. Mr. Deng was an assistant tutor, lecturer, deputy professor and tutor of master students of Jiangxi Agricultural University* (江西農業大學) from July 1984 to November 2008. Mr. Deng obtained his doctorate degree in production and application of feed crops from Hunan Agricultural University* (湖南農業大學) in December 2007.

Mr. Liao Xiujian (廖秀健), aged 46, was appointed as an independent non-executive Director in February 2014. He is currently a law professor of Hunan Agricultural University* (湖南農業大學) and an associate of Changsha Branch of Beijing Zhaoxiangling Law Firm* (北京趙湘寧律師事務所長沙分所). Mr. Liao joined the social science department of Hunan Agricultural University* (湖南農業大學) in October 2001 and became a professor in November 2010. Mr. Liao obtained his doctorate degree in management from Huazhong Agricultural University* (華中農業大學) in January 2007.

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SENIOR MANAGEMENT

Mr. Zhou Zhenghua (周正華), aged 51, is the production manager of Hunan Huisheng. Mr. Zhou has been the production manager of Hunan Huisheng since December 2007. Prior to joining the Group, Mr. Zhou commenced his business of hog slaughtering in 1983, and founded the hog slaughterhouse in Hucheng Zaoguo District of Changde* (常德護城皂果生豬定點屠宰場) in 1998. Mr. Zhou joined the hog slaughterhouse in Wuling District of Changde* (常德武陵區生豬機械化定點屠宰廠) in December 2003 as the head of slaughtering. Mr. Zhou was qualified as slaughtering and processing technician (屠宰加工技術人員) in the PRC in September 2010.

Mr. Zhang Jianlong (張建龍), aged 57, has been the assistant to the general manager of Hunan Huisheng since he joined the Group in November 2007. Prior to joining the Group, Mr. Zhang worked as an accountant at Sanyanggang Town of Taoyuan County* (陶源縣三陽崗鎮), engaged in project management for Changde Construction from 2001 to 2002, and acted as the deputy general manager of Jinda Concrete from 2002 to 2007.

COMPANY SECRETARY

Mr. Foo Tin Chung, Victor (傅天忠), aged 45, is the company secretary of the Company. He joined the Group in July 2013. Mr. Foo obtained a bachelor degree of commerce in accounting and information system from the University of New South Wales in Australia in April 1994 and a master degree in business administration from the Australian Graduate School of Management in July 2007. He has been a member of the Australia Society of Certified Practising Accountants since January 1998 and an associate member of the Hong Kong Institute of Certified Public Accountants since July 1999. Mr. Foo has been an executive director of Jinheng Automotive Safety Technology Holdings Limited (stock code: 872) since 2004, an independent non-executive director of Shandong Luoxin Pharmacy Stock Company Limited (stock code: 8058) since 2005 and the company secretary of China Grand Pharmaceutical and Healthcare Holdings Limited (stock code: 512) since 2011. Shares of all these companies are listed on the Stock Exchange.

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The Directors are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC. The principal activities and other particulars of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

The Group's revenue for the year is principally attributable to the sale of pork products to customers. An analysis of the revenue from the principal activities during the year is set out in the section headed "Management Discussion and Analysis" in this annual report and note 7 to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 28 to 31.

DIVIDENDS

The Directors did not recommend the payment of final dividend for the year ended 31 December 2013.

FIXED ASSETS

Details of movements in fixed assets are set out in note 16 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the Shares.

BORROWINGS AND NOTES PAYABLE

Particulars of borrowings and notes payable of the Group as at 31 December 2013 are set out in notes 28 and 30 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the five largest customers of the Group accounted for less than 30% of the Group's total revenue, while the five largest suppliers accounted for less than 30% of the Group's total purchases.

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	4.8%	N/A
The five largest customers in aggregate	18.7%	N/A
The largest supplier	N/A	5.0%
The five largest suppliers in aggregate	N/A	24.0%

Save as disclosed above and so far as the Board are aware, neither the Directors, their associates nor any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

DIRECTORS

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

Executive Directors

Mr. Ding Biyan *(Chairman)*
Mr. Yu Jishi (appointed on 11 February 2014)
Mr. Ding Jingxi (appointed on 11 February 2014)
Mr. Zhou Shigang (appointed on 11 February 2014)

Non-executive Director

Mr. Zhang Zhizhong (appointed on 11 February 2014)

Independent non-executive Directors

Mr. Ma Yiu Ho, Peter (appointed on 11 February 2014)
Mr. Deng Jinping (appointed on 11 February 2014)
Mr. Liao Xiujian (appointed on 11 February 2014)

In accordance with articles 84 of the articles of association of the Company, the following Directors, namely, Messrs. Ding Biyan, Yu Jishi and Ding Jingxi will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The employment of each executive Directors under their respective service contracts is for a term of three years commencing on the Listing Date, subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of serving such notice. All executive Directors are also entitled to a salary plus a discretionary bonus which shall be recommended by the remuneration committee of the Board and as approved by the majority of the Board. The aggregate amount of discretionary management bonuses payable to the Directors in respect of any financial year shall be subject to the approval by the Company's shareholders in general meeting and shall not exceed five percent of the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) of the same financial year.

Each of the non-executive Director and independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. Save for their remuneration, none of the non-executive Director or the independent non-executive Directors is expected to receive any other emoluments for holding their office as a non-executive Director or an independent non-executive Director.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments on a named basis are set out in note 12 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 February 2014. Summary of the principal terms of the Share Option Scheme was disclosed in the Prospectus.

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 40,000,000 shares which represented approximately 9.9% of the issued share capital of the Company as at the date of this report. No option had been granted or agreed to be granted as at the date of this report.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

COMPETING INTEREST

None of the Directors or the Controlling Shareholders had an interest in a business which competes or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

Long position in issued ordinary shares of the Company

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of shareholding
Ding Biyan (丁碧燕)	Interest of a controlled corporation *(Note)*	171,390,728	42.6%

Note: These Shares are held by Huimin Holdings Limited ("Huimin"), which is wholly owned by Mr. Ding Biyan. By virtue of the SFO, Mr. Ding Biyan is deemed to be interested in the Shares held by Huimin.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long position in issued ordinary shares of the Company

	Capacity	Number of ordinary shares of the Company held	Approximately percentage of the total issued shares of the Company
Huimin	Beneficial owner	171,390,728	42.6%
Ms. Yang Min (楊敏)	Interest of spouse *(Note 1)*	171,390,728	42.6%
Jisheng Holdings Limited ("Jisheng")	Beneficial owner *(Note 2)*	82,147,999	20.4%

Notes:

1. These shares are held by Huimin, which is wholly owned by Mr. Ding Biyan. By virtue of the SFO, Mr. Ding Biyan is deemed to be interested in the shares held by Huimin. Ms. Yang Min (楊敏) is the spouse of Mr. Ding Biyan. By virtue of the SFO, Ms. Yang Min is deemed to be interested in the same number of shares in which Mr. Ding is deemed to be interested.

2. Jisheng is owned as to approximately 33.0% by Mr. Ding Jingxi (丁敬喜), 33.0% by Mr. Zhang Zhizhong (張志忠), 18.6% by Mr. Yu Jishi (于濟世), 11.0% by Mr. Zhou Shigang (周詩剛), 3.3% by Mr. Zhang Jianlong (張建龍) and 1.1% by Ms. Li Xianjie (李賢杰).

Save as disclosed above, as at the date of this report, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the service contracts and letters of appointment entered with the respective Directors, no contract of significance to which the Company or any of its subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or any time during the year.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director a written confirmation of independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. Ding Biyan and Huimin Holdings Limited, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Mr. Ding and Huimin have complied with the non-competition undertaking since the Listing Date up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to the date of this report.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2013 are disclosed in note 39 to the consolidated financial statements. These transactions have been discontinued before the Company was listed on the Stock Exchange. Hence, there were no connected transactions or non-exempted continuing connected transactions under the Listing Rules as at the date of this report.

AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditors of the Company.

On behalf of the Board
Ding Biyan
Chairman

Hong Kong, 27 March 2014

The Company is committed to adopting and maintaining a high standard of corporate governance practices and procedures. The Company has adopted and complied with the code provisions (the "Code Provisions") contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The Company was listed on the Stock Exchange on 28 February 2014.

THE BOARD

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

The Board comprises 8 Directors, including 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, in compliance with the requirement of Listing Rules which states that every board of Directors of an issuer must include at least 3 independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;

- overseeing the corporate governance functions of the Company and being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other inside information announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;

- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and

- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

COMMITMENTS

The full Board should meet at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of the non-executive Director and independent non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person.

EXPERIENCE

Executive and non-executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Ma Yiu Ho, Peter. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction of the Group's operations.

BOARD MEETING

From the Listing Date and up to the date of this annual report, one Board meeting was held and the attendance records of individual Directors are set out below:

	Attendance/ Number of meetings
Executive Directors	
Mr. Ding Biyan	1/1 (Note)
Mr. Yu Jishi	1/1 (Note)
Mr. Ding Jingxi	1/1
Mr. Zhou Shigang	1/1
Non-Executive Director	
Mr. Zhang Zhizhong	1/1
Independent Non-Executive Directors	
Mr. Ma Yiu Ho, Peter	1/1
Mr. Deng Jinping	1/1
Mr. Liao Xiujian	1/1

Note: One meeting of a committee of the Board was held and attended by Mr. Ding Biyan and Mr. Yu Jishi for approving the allotment and issuance of shares upon the exercise of the Over-allotment Option.

CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted a model code of practice for securities dealings by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code since the Listing Date.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 of the Code Provisions, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Concurrently, Mr. Ding Biyan is the chairman of the Board and Mr. Yu Jishi is the chief executive officer of the Company.

The roles of the chairman and the chief executive officer are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Ding Biyan, as chairman of the Board, is responsible for the strategic development and planning of the Group. Mr. Yu Jishi, as the chief executive officer, is responsible for the overall management of the business operations of the Group.

APPOINTMENT OF DIRECTORS

During their terms of office, the Directors all carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the relevant company laws of the Cayman Islands and Hong Kong, the articles of association of the Company and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company's operations, oversaw the corporate governance of the Company, pressed for the improvement of the governance standard of the Company and exerted the decision-making function of the Board in its full swing. None of the independent non-executive Directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of the independent non-executive Directors is interested in any shares of the Company. The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Names and biography of the Directors are set out on pages 9 to 10 of this annual report and also made available on the Company's website.

AUDIT COMMITTEE

The Company established an audit committee on 11 February 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The duties of the audit committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; and (c) reviewing the Group's financial control, internal control and risk management systems. The audit committee consists of Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping and Mr. Liao Xiujian. Mr. Ma Yiu Ho, Peter is the chairman of the audit committee.

AUDIT COMMITTEE *(Continued)*

Details of attendance of members at meetings of the audit committee held from the Listing Date to the date of this report are set out as follows:

	Attendance/ number of meetings
Mr. Ma Yiu Ho, Peter	1/1
Mr. Deng Jinping	1/1
Mr. Liao Xiujian	1/1

INTERNAL CONTROLS

The Directors have conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries, which has covered major and material controls in areas of financial, operations, compliance and risk management of the Company. The Directors consider that the internal control system is effective and adequate.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 11 February 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The duties of the remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the Company's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board of the remuneration of the non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration committee consists of Mr. Liao Xiujian, Mr. Ding Biyan and Mr. Ma Yiu Ho, Peter. Mr. Liao Xiujian is the chairman of the remuneration committee.

Since the Listing Date, the remuneration committee met once to review the remuneration policy for all directors and senior management. Details of attendance of members at meeting of the remuneration committee held from the Listing Date to the date of this report are set out as follows:

	Attendance/ Number of Meetings
Mr. Liao Xiujian	1/1
Mr. Ding Biyan	1/1
Mr. Ma Yiu Ho, Peter	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

NOMINATION COMMITTEE

The Company established a nomination committee on 11 February 2014 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The duties of the nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive. The nomination committee consists of Mr. Deng Jinping, Mr. Yu Jishi and Mr. Liao Xiujian. Mr. Deng Jinping is the chairman of the nomination committee.

Since the Listing Date, the nomination committee met once to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company. Details of attendance of members at meeting of the nomination committee held from the Listing Date to the date of this report are set out as follows:

	Attendance/ Number of Meetings
Mr. Deng Jinping	1/1
Mr. Yu Jishi	1/1
Mr. Liao Xiujian	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is the responsibility of the Directors for the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company. The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regularly basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the audit committee.

For the year under review, the remuneration payable for audit and non-audit services provided by the auditors is approximately RMB0.8 million and RMB2.2 million respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions since the Listing Date up to the date of this report included developing and reviewing the Company's policies on corporate governance and review the Company's compliance with the Code Provisions.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Board has maintained an on-going dialogue with Shareholders and investors, and will regularly review this policy to ensure its effectiveness. Information will be communicated to Shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the information submitted by the Company to the website of the Stock Exchange and its corporate communications on the Company's website. Shareholders can direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and investors may at any time make a request for the Company's information to the extent such information is publicly available.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Prior to the Listing, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary. The Company will continue to arrange and fund the training in accordance with paragraph A.6.5 of the Code Provisions.

SHAREHOLDERS' RIGHTS

Any one or more Shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition. The Requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong
Address: Room 901, 9th Floor, Loon Kee Building, 267–275 Des Voeux Road Central, Sheung Wan, Hong Kong
Email: info@hsihl.com
Attention: Board of Directors/Company Secretary

The Requisition must state clearly the name of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Requisitionist(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene the EGM within two months and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM.

If within 21 days of such deposit the Board has not advised the Requisitionist(s) of any outcome to the contrary and fails to proceed to convene the EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Principal place of business of the Company in Hong Kong
Address: Room 901, 9th Floor, Loon Kee Building, 267–275 Des Voeux Road Central, Sheung Wan, Hong Kong
Email: info@hsihl.com
Attention: Board of Directors/Company Secretary

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

On 11 February 2014, the Company adopted the second amended and restated memorandum of association and articles of association, which were conditional upon Listing. These are available on the websites of the Company and the Stock Exchange.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

TO THE SHAREHOLDERS OF
HUISHENG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huisheng International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 91, which comprise the consolidated and the Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong, 27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	7	**1,106,423**	1,047,620
Cost of sales		**(962,181)**	(915,391)
Gross profit		**144,242**	132,229
Other income	7	**3,767**	1,737
Losses arising from change in fair value less costs to sell of biological assets	20	**(926)**	(3,327)
Selling and distribution expenses		**(13,767)**	(13,490)
Administrative expenses		**(21,024)**	(17,155)
Finance costs	9	**(10,248)**	(5,901)
Profit before taxation		**102,044**	94,093
Taxation	10	**–**	–
Profit for the year	11	**102,044**	94,093
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1,678**	300
Other comprehensive income for the year, net of income tax		**1,678**	300
Total comprehensive income for the year		**103,722**	94,393
Profit/(loss) for the year attributable to:			
Owners of the Company		**102,168**	94,093
Non-controlling interests		**(124)**	–
		102,044	94,093
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**103,846**	94,393
Non-controlling interests		**(124)**	–
		103,722	94,393
Earnings per share attributable to owners of the Company	15		
Basic and diluted (RMB cents per share)		**34.1**	31.4

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**246,789**	75,199
Prepaid lease payments	17	**34,325**	35,060
Biological assets	20	**8,257**	6,395
Deposits and prepayments for property, plant and equipment	23	**3,966**	38,470
Available-for-sale investment	19	**1,500**	–
		294,837	155,124
Current assets			
Biological assets	20	**9,786**	7,855
Inventories	21	**3,165**	1,683
Prepaid lease payments	17	**735**	735
Trade receivables	22	**136,712**	124,595
Prepayments, deposits and other receivables	23	**2,378**	2,669
Bank balances and cash	24	**280,838**	202,613
		433,614	340,150
Current liabilities			
Trade payables	25	**123,815**	106,257
Accruals and other payables	26	**26,812**	18,902
Amount due to a shareholder	27	**1,969**	1,428
Borrowings — due within one year	28	**53,000**	64,817
Deferred revenue	31	**88**	87
		205,684	191,491
Net current assets		**227,930**	148,659
Total assets less current liabilities		**522,767**	303,783
Non-current liabilities			
Loan from government	29	**808**	744
Notes payable	30	**55,764**	–
Deferred revenue	31	**557**	595
		57,129	1,339

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Net assets		**465,638**	302,444
Equity			
Share capital	32	**–**	–
Reserves	33	**461,262**	302,444
Equity attributable to owners of the Company		**461,262**	302,444
Non-controlling interests		**4,376**	–
Total equity		**465,638**	302,444

Approved by the Board of Directors on 27 March 2014 and signed on its behalf by:

Ding Biyan
Executive Director

Yu Jishi
Executive Director

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

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Assets			
Non-current asset			
Investment in subsidiary	18	**–**	–
Current assets			
Prepayments	23	**1,852**	871
Amounts due from subsidiaries	18	**15,341**	2,556
		17,193	3,427
Current liability			
Accruals and other payables	26	**800**	–
Net current assets		**16,393**	3,427
Total assets less current liability		**16,393**	3,427
Net assets		**16,393**	3,427
Equity			
Share capital	32	**–**	–
Reserves	33	**16,393**	3,427
Total equity		**16,393**	3,427

Approved by the Board of Directors on 27 March 2014 and signed on its behalf by:

Ding Biyan
Executive Director

Yu Jishi
Executive Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital RMB'000	Share premium RMB'000 *(note b)*	Exchange reserve RMB'000	Statutory surplus reserve RMB'000 *(note a)*	Other reserve RMB'000 *(notes b and c)*	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2012	–	13,860	–	15,150	(18,117)	197,158	208,051	–	208,051
Profit and total comprehensive income for the year	–	–	300	–	–	94,093	94,393	–	94,393
As at 31 December 2012 and 1 January 2013	–	13,860	300	15,150	(18,117)	291,251	302,444	–	302,444
Profit and total comprehensive income/(loss) for the year	–	–	1,678	–	–	102,168	103,846	(124)	103,722
Issue of shares of the Company	–	19,764	–	–	–	–	19,764	–	19,764
Shareholders contribution	–	–	–	–	35,208	–	35,208	–	35,208
Establishment of a subsidiary	–	–	–	–	–	–	–	4,500	4,500
As at 31 December 2013	–	**33,624**	**1,978**	**15,150**	**17,091**	**393,419**	**461,262**	**4,376**	**465,638**

Notes:

(a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

(b) On 8 August 2011, the shareholders of Hunan Huisheng Meat Products Company Limited ("Hunan Huisheng") entered into an agreement with Mr. Yau Chung ("Mr. Yau") to transfer 25% equity interest they held in aggregate in the registered capital of Hunan Huisheng for a consideration of RMB13,860,000. The purpose of the transaction was to transform the legal status of Hunan Huisheng from a joint stock limited company to a sino-foreign equity company, and the Company, subsequently, issued 500 shares to the investor in exchange of 25% equity interest in Hunan Huisheng.

The difference between the nominal value of 500 shares of the Company and the consideration paid by Mr. Yau was considered as the share premium, and the difference between 25% registered capital of Hunan Huisheng RMB7,575,000 and the consideration paid by Mr. Yau of RMB13,860,000 was recognised as the deemed distribution of RMB6,285,000 to the shareholders.

(c) Other reserve represents the capital contributions from the owners of the subsidiaries now comprising the Group before the completion of the Reorganisation.

(i) On 26 October 2011, Hongkong Huisheng Meat Food Limited ("Hong Kong Huisheng") entered into an agreement with the shareholders of Hunan Huisheng, save for Mr. Yau, to acquire the 75% equity interest in Hunan Huisheng for a cash consideration of RMB41,577,100. The difference between the consideration paid and the nominal value of 75% registered capital of Hunan Huisheng of RMB41,577,100 was recognised as deemed distribution of RMB6,091,100 to the shareholders.

Notes: (Continued)

(c) *(Continued)*

(ii) In contemplation of the listing and with a view to reflecting the appropriate enterprise value of the Group as a whole after the reorganisation, pursuant to an undertaking dated 29 August 2011 in favour of Mr. Ding Biyan ("Mr. Ding") and other initial shareholders, Mr. Yau further agreed that his 25% equity interest in Hunan Huisheng should be reflected by 5% of the issued share capital of the Company immediately before the global offering.

As a step of the reorganisation, Mr. Yau transferred its 25% equity interest in Hunan Huisheng to Hong Kong Huisheng at a consideration of RMB13,860,000 was, according to equity transfer agreement entered into between Mr. Yau and Hong Kong Huisheng, settled by the Company issuing and allotting 500 shares, credited as fully paid and representing 5% of the then issued share capital of the Company as enlarged by such issue, on 29 December 2011. Thus, the amount of RMB13,860,000 and an exchange difference of approximately RMB437,000 were recognised as deemed distribution to the shareholders.

(iii) Pursuant to an agreement (the "Original Loan Agreement") made on 8 December 2011, among Hong Kong Huisheng, Mr. Ding, the Company and BMI Finance Limited (the "Creditor"), the Creditor has made available an interest-bearing loan to Hong Kong Huisheng.

Pursuant to a deed of novation and release dated 29 August 2013 (the "Deed of Novation") entered into among the Creditor, Hong Kong Huisheng, Mr. Ding, the Company and Huimin Holdings Limited ("Huimin"), the Creditor has agreed to release and discharge Hong Kong Huisheng from, and Huimin has agreed to assume in lieu of Hong Kong Huisheng, the liabilities and obligations in connection with the Original Loan Agreement. The Original Loan Agreement as novated pursuant to the Deed of Novation is referred to as the novated agreement (the "Novated Agreement").

Among other things, pursuant to the Deed of Novation, Hong Kong Huisheng has undertaken to pay to Huimin, as and when demanded by Huimin, a sum equal to the loan or settle such obligation with Huimin in such manner as shall be agreed between Hong Kong Huisheng and Huimin.

In consideration of the implementation of the corporate reorganisation for the purpose of the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Huimin agrees to waive all its rights against Hong Kong Huisheng in connection with the Deed of Novation and the Novated Agreement pursuant to the terms of the Deed of Waiver made on 29 August 2013. Thus, the amount outstanding to Huimin had been capitalised.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Operating activities		
Profit before taxation	**102,044**	94,093
Adjustments for:		
Interest income	**(1,087)**	(1,017)
Finance costs	**10,248**	5,901
Depreciation of property, plant and equipment	**2,707**	2,582
Amortisation of prepaid lease payments	**735**	735
Net foreign exchange losses	**228**	67
Gains from selling of non-current biological assets	**(843)**	(616)
Losses arising from change in fair values less costs to sell of biological assets	**926**	3,327
Operating cash flows before movements in working capital	**114,958**	105,072
Decrease in biological assets	**4,730**	5,007
(Increase)/decrease in inventories	**(1,482)**	1,853
(Increase)/decrease in trade receivables	**(12,117)**	2,203
Decrease/(increase) in prepayments, deposits and other receivables	**316**	(1,748)
Decrease in amount due from a related party	**–**	478
Increase/(decrease) in trade payables	**17,558**	(44,065)
(Decrease)/increase in accruals and other payables	**(4,968)**	7,669
Net cash generated from operating activities	**118,995**	76,469
Investing activities		
Interest received	**1,004**	928
Purchase of property, plant and equipment	**(136,249)**	(32,966)
Addition of non-current biological assets	**(9,616)**	(8,550)
Proceeds on disposals of non-current biological assets	**1,010**	698
Deposits and prepayments for property, plant and equipment	**(3,544)**	(38,225)
Increase in available-for-sale investment	**(1,500)**	–
Increase in deferred revenue	**51**	–
Net cash used in investing activities	**(148,844)**	(78,115)

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Financing activities		
Interest paid	**(5,285)**	(5,835)
Proceeds from borrowings	**59,000**	20,000
Repayments of borrowings	**(26,000)**	(16,900)
Advance from shareholders	**516**	301
Net proceeds from issue of notes	**54,129**	–
Establishment of a subsidiary	**4,500**	–
Proceeds from issue of shares	**19,764**	–
Net cash generated from/(used in) financing activities	**106,624**	(2,434)
Net increase/(decrease) in cash and cash equivalents	**76,775**	(4,080)
Cash and cash equivalents at beginning of the year	**202,613**	206,703
Effect of foreign exchange rate changes	**1,450**	(10)
Cash and cash equivalents at end of the year	**280,838**	202,613

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

1. GENERAL INFORMATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Room 901, 9th Floor, Loon Kee Building, 267-275 Des Voeux Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in hog breeding, hog slaughtering and sale of pork products in the PRC.

2. REORGANISATION

Pursuant to the pre-listing reorganisation of the Group ("Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 10 November 2011. The Reorganisation was completed by interspersing the Company, Huisheng Food Holdings Limited ("Huisheng (BVI)"), Hong Kong Huisheng between Hunan Huisheng and the shareholders of Hunan Huisheng. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation were set out in the paragraph headed "The Reorganisation" in the section headed "Corporate history, development and Reorganisation" in the prospectus dated 17 February 2014 (the "Prospectus").

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 January 2013. A summary of the new and revised HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 & HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of the above new and revised HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement *(Continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 20 and 33 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in the consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[5]
HKAS 19 (as revised in 2011)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 — *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 7 and HKAS 32 — *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 7 and HKAS 32 — *Offsetting Financial Assets and Financial Liabilities and the related disclosures* (Continued)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 — *Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) will have no material impact on the Group's financial performance and positions.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 39 — *Novation of Derivatives and Continuation of Hedge Accounting*

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) — Int 21 *Levies*

HK (IFRIC)-Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The directors anticipate that the adoption of HK (IFRIC)-Int 21 will have no material impact on the Group's financial performance and positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

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

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

The principal accounting policies are set out below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(a) ***Sales of goods***

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(b) ***Interest income***

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Research and development costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where 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 periods 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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the reporting period in which they arise, except for:

- Exchange difference on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

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

Government grants

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

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

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

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

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

Retirement benefit costs

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

Buildings	4.75%
Plant and machinery	9.5%
Motor vehicles	24%
Furniture, fixture and equipment	19%–31.67%

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

Inventories

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

Net realisable value is the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

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

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

Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the reporting period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

Impairment losses

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets represent loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 financial assets have been affected.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity

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

Equity instrument

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Other financial liabilities

Financial liabilities (including trade payables, accruals and other payables, amount due to a shareholder, borrowings, loan from government and notes payable) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently 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 and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties transactions

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

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

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

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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).

Recoverable amount is the higher of fair value less costs to sell and value in use. When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Contingent liabilities and contingent assets

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

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(a) Impairment of property, plant and equipment

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

(b) Impairment of trade and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) Depreciation

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

(d) Fair values of biological assets

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

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in notes 6(c) and 20.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2013	2012
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)		
— Trade receivables	**136,712**	124,595
— Bank balances and cash	**280,838**	202,613
Financial liabilities		
Amortised cost		
— Trade payables	**123,815**	106,257
— Accruals and other payables	**26,812**	18,902
— Amount due to a shareholder	**1,969**	1,428
— Borrowings	**53,000**	64,817
— Loan from government	**808**	744
— Notes payable	**55,764**	–

	The Company	
	2013	2012
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
— Amount due from subsidiaries	**15,341**	2,556

(b) Financial risk management

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade receivables, bank balances and cash, trade payables, accruals and other payables, amount due to a shareholder, borrowings, loan from government and notes payable. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse customer base and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Interest rate risk

The Group's exposure to fair value interest rate risk in relation to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to bank saving balances and borrowings (note 28). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2012 and 2013 would decrease/increase by approximately RMB308,000 and RMB323,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Business risk

The Group is exposed to financial risks arising from changes in prices of hogs and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and animal diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status.

Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

Save for the procurement of breeder hogs, the Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Liquidity risk *(Continued)*

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2013						
Non-derivative financial liabilities						
Trade payables	–	123,815	–	–	123,815	123,815
Accruals and other payables	–	26,812	–	–	26,812	26,812
Amount due to a shareholder	–	1,969	–	–	1,969	1,969
Borrowings	7.32	53,000	–	–	53,000	53,000
Loan from government	6.40	–	1,000	–	1,000	808
Notes payable	9.81	–	–	60,000	60,000	55,764
		205,596	1,000	60,000	266,596	262,168

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2012						
Non-derivative financial liabilities						
Trade payables	–	106,257	–	–	106,257	106,257
Accruals and other payables	–	18,902	–	–	18,902	18,902
Amount due to a shareholder	–	1,428	–	–	1,428	1,428
Borrowings	9.51	64,817	–	–	64,817	64,817
Loan from government	6.40	–	1,000	–	1,000	744
		191,404	1,000	–	192,404	192,148

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and financial liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

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

7. REVENUE AND OTHER INCOME

An analysis of the Group's revenue for the reporting period is as follows:

	2013	2012
	RMB'000	RMB'000
Revenue		
Sale of pork products	**1,100,309**	1,043,766
Others *(note)*	**6,114**	3,854
	1,106,423	1,047,620

Note: Others include processed pork products, porkers and slaughtering services.

	2013	2012
	RMB'000	RMB'000
Other income		
Interest income on:		
Bank deposits	**1,004**	928
Amortisation of deferred revenue	**83**	89
Total interest income	**1,087**	1,017
Government grants *(note)*	**1,837**	102
Gains from selling of non-current biological assets, net	**843**	616
Sundry income	**–**	2
	3,767	1,737

Note: Government grants mainly represent incentive subsidies in relation to processing of ill hogs. There are no conditions or limitations attached to these subsidies by the respective PRC government authorities.

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers ("CODMs"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The operation of the Group constitutes one reportable segment, i.e. slaughtering and trading of pork products. This is also the basis upon which the Group is arranged and organised.

8. SEGMENT INFORMATION *(Continued)*

The information reported to the CODMs for the purpose of resource allocation and assessment of performance, is with reference to profit before taxation and assets which do not contain the losses arising from changes in fair value less costs to sell of biological assets. In the reports to the CODMs, the biological assets are stated at cost but the biological assets are stated at their fair value less costs to sell under the consolidated financial statements. The differences between the profit before taxation and assets reported to the CODMs and those in the consolidated financial statements are as follows:

	2013 **RMB'000**	2012 RMB'000
Segment profit before taxation reported to the CODMs	**102,970**	97,420
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(926)**	(3,327)
Profit before taxation reported in the consolidated financial statements	**102,044**	94,093

	2013 **RMB'000**	2012 RMB'000
Segment assets reported to the CODMs	**466,564**	305,771
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(926)**	(3,327)
Net assets reported in the consolidated financial statements	**465,638**	302,444

Note: The amounts represent fair value changes in live hogs at the end of the reporting period.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the reporting period.

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the reporting period is as follows:

	2013	2012
	RMB'000	RMB'000
Hunan Province	**954,370**	880,865
Guangdong Province	**104,780**	117,394
Beijing City	**22,220**	15,021
Others	**25,053**	34,340
	1,106,423	1,047,620

The Group's non-current assets are principally attributable to a single geographical region, which is the PRC and accordingly, no further geographical segment information is presented.

As the Group's segment liabilities are not regularly provided to CODMs for review, the measurement of total liabilities for the respective segment is not presented.

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 86% of the total revenue during the year ended 31 December 2013 (2012: 84%).

Information about major customers

No individual customers contributed over 10% of the total revenue of the Group during the year ended 31 December 2013 (2012: nil).

9. FINANCE COSTS

	2013	2012
	RMB'000	RMB'000
Interests on:		
— Borrowings wholly repayable within five years	**5,285**	5,835
— Government loan *(note)*	**59**	66
— Notes payable	**4,904**	–
	10,248	5,901

Note: The amount represents the imputed interests on interest-free government loan.

10. TAXATION

	2013 RMB'000	2012 RMB'000
Income tax expense	**–**	–

Hong Kong

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year ended 31 December 2013.

No provision for Hong Kong profits tax has been made as the Group's income neither arises nor is derived from Hong Kong.

PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

According to the prevailing tax rules and regulations, Hunan Huisheng operating in the business of primary processing of agricultural products is exempted from the PRC EIT during the reporting periods.

The taxation charge for the year can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before taxation	**102,044**	94,093
Tax at the applicable income tax rate	**26,367**	24,407
Tax exemption for subsidiary operating in the PRC	**(28,354)**	(26,333)
Tax effect of expenses not deductible for tax purpose *(note)*	**1,424**	1,092
Tax effect of tax loss not recognised	**563**	834
Income tax expenses	**–**	–

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

According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from EIT, and no deferred taxation impact was considered for the reporting periods.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2013 RMB'000	2012 RMB'000
Directors' emoluments *(note 12)*	**352**	341
Other staff costs:		
Salaries and other benefits	**17,205**	15,954
Retirement schemes contributions	**3,565**	2,881
	21,122	19,176
Auditors' remuneration	**800**	30
Depreciation of property, plant and equipment	**2,707**	2,582
Amortisation of prepaid lease payments	**735**	735
Net foreign exchange losses	**228**	67
Cost of inventories recognised as expenses *(note)*	**930,198**	886,158
Operating lease rental expenses in respect of rented premises	**352**	251

Note: The amount include the service fee of approximately RMB1,481,000 paid to fattening farms during the year ended 31 December 2013 (2012: RMB1,082,000).

12. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

	2013 RMB'000	2012 RMB'000
Directors' fees	**–**	–
Salaries, allowances and benefits in kind	**310**	304
Discretionary bonus	**–**	–
Retirement schemes contributions	**42**	37
	352	341

12. DIRECTORS' EMOLUMENTS *(Continued)*

Details for the emoluments of each director of the Company during the reporting period are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2013					
Executive directors:					
Mr. Ding	**–**	**117**	**–**	**12**	**129**
Mr. Yu Jishi	**–**	**91**	**–**	**11**	**102**
Mr. Ding Jingxi	**–**	**55**	**–**	**10**	**65**
Mr. Zhou Shigang	**–**	**47**	**–**	**9**	**56**
Non-executive director:					
Mr. Zhang Zhizhong	**–**	**–**	**–**	**–**	**–**
	–	**310**	**–**	**42**	**352**
2012					
Executive directors:					
Mr. Ding	–	115	–	11	126
Mr. Yu Jishi	–	88	–	10	98
Mr. Ding Jingxi	–	55	–	8	63
Mr. Zhou Shigang	–	46	–	8	54
Non-executive director:					
Mr. Zhang Zhizhong	–	–	–	–	–
	–	304	–	37	341

Note: The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 December 2012 and 2013 respectively. None of the directors waived or agreed to waive any emoluments during the year (2012: Nil).

13. EMPLOYEES EMOLUMENTS

The five highest paid individuals during the year included two executive directors (2012: two). Details of whose emoluments are set out above in note 12. The details of the emoluments of the remaining three (2012: three) highest paid individuals are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries and other allowances	**303**	430
Discretionary bonus	**327**	–
Retirement schemes contributions	**25**	22
	655	452

The number of non-director highest paid employees whose emoluments fell within the following band is as follows:

	2013	2012
Nil to RMB880,000 (equivalents to HK$1,000,000)	**3**	3

The number of senior management (excluding directors) whose emoluments fell within the following band is as follows:

	2013	2012
Nil to RMB880,000 (equivalents to HK$1,000,000)	**2**	2

During the reporting period, no emoluments were paid by the Group to the directors or any of the five highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: nil).

15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of approximately RMB102,168,000 (2012: RMB94,093,000) and the weighted average number of ordinary shares of the Company in issue during the year calculated as follows:

	2013	2012
Weighted average number of ordinary shares		
Effect of issue of shares	**10,419**	10,419
Effect of capitalisation issue	**299,989,581**	299,989,581
	300,000,000	300,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year has been adjusted for 10,419 shares in issue and 299,989,581 shares issued pursuant to the capitalisation issue which took place upon the completion of the global offering of the Company's shares, which were assumed to occur at 28 February 2014.

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2012	28,354	7,332	816	1,077	14,819	52,398
Additions	–	2	–	172	32,982	33,156
Transfer	7,786	500	–	–	(8,286)	–
As at 31 December 2012 and 1 January 2013	36,140	7,834	816	1,249	39,515	85,554
Additions	–	5	–	3	174,289	174,297
As at 31 December 2013	36,140	7,839	816	1,252	213,804	259,851
Accumulated depreciation						
As at 1 January 2012	4,060	2,391	558	764	–	7,773
Provided for the year	1,523	734	113	212	–	2,582
As at 31 December 2012 and 1 January 2013	5,583	3,125	671	976	–	10,355
Provided for the year	1,715	751	26	215	–	2,707
As at 31 December 2013	7,298	3,876	697	1,191	–	13,062
Net book values						
As at 31 December 2013	**28,842**	**3,963**	**119**	**61**	**213,804**	**246,789**
As at 31 December 2012	30,557	4,709	145	273	39,515	75,199

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

Buildings	4.75%
Plant and machinery	9.5%
Motor vehicles	24%
Furniture, fixtures and equipment	19%–31.67%

Details of property, plant and equipment pledged are set out in note 36.

17. PREPAID LEASE PAYMENTS

	2013	2012
	RMB'000	RMB'000
Cost		
At the beginning of the year	**36,746**	36,746
Addition	**–**	–
At the end of the year	**36,746**	36,746
Accumulated depreciation		
At the beginning of the year	**951**	216
Charge for the year	**735**	735
At the end of the year	**1,686**	951
Net book values	**35,060**	35,795

Analysed for reporting purposes as:

	2013	2012
	RMB'000	RMB'000
Non-current assets	**34,325**	35,060
Current assets	**735**	735
	35,060	35,795

The prepaid lease payments are land use rights located in the PRC which are under medium lease.

Details of prepaid lease payments pledged are set out in note 36.

18. INVESTMENT IN SUBSIDIARY AND AMOUNTS DUE FROM SUBSIDIARIES

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	–	–
Less: Provision for impairment	–	–
	–	–
Amounts due from subsidiaries	15,341	2,556
Less: Provision for impairment	–	–
	15,341	2,556

The amounts due from subsidiaries are unsecured, interest-free and recoverable on demand.

Details of the Company's subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital or registered capital	Percentage of equity interest and voting power attributable to the Company Direct %	Indirect %	Principal activities
Huisheng (BVI)	British Virgin Islands ("BVI"), 3 October 2011	Ordinary shares HK$1	100	–	Investment holding
Hong Kong Huisheng	Hong Kong, 14 March 2006	Ordinary shares HK$5,000,000	–	100	Investment holding
Hunan Huisheng*	The PRC, 18 December 2007	Registered capital RMB30,300,000	–	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited* ("Linli Huisheng")	The PRC, 19 August 2013	Registered capital RMB12,000,000	–	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited* ("Linli JV")	The PRC, 17 September 2013	Registered capital RMB16,000,000	–	71.9	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming

* For identification purpose only

18. INVESTMENT IN SUBSIDIARY AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

In addition, the directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that have non-controlling interest individually that are material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

19. AVAILABLE-FOR-SALE INVESTMENT

	2013	2012
	RMB'000	RMB'000
Unlisted equity investment in the PRC	**1,500**	–

Hunan Huisheng entered into an agreement with Yueyang Jiuding Agriculture Co., Ltd* (岳陽九鼎農牧有限公司) to acquire 6% of equity interest in Changde Jiuding Agriculture Co., Ltd.* (常德九鼎農牧有限公司) ("Changde Jiuding") at an aggregate consideration of RMB1,500,000. Changde Jiuding is principally engaged in the production of feed. The transaction was completed in April 2013.

The unlisted equity investment is measured at cost less impairment at the end of the reporting period as the investment does not have a quoted market price in an active market.

* For identification purpose only

20. BIOLOGICAL ASSETS

The Group is principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC.

The quantity of hogs owned by the Group as at the end of the reporting period is shown below. The Group's hogs are divided into breeder hogs and porkers.

The number of biological assets are summarised as follows:

	2013	2012
Breeder hogs	**2,286**	1,889
Porkers	**10,964**	11,599
	13,250	13,488

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

The Group is exposed to a number of risks related to biological assets. In addition to the financial risk disclosed in note 6, the Group is exposed to the following operation risks:

(a) Regulatory and environmental risks

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

20. BIOLOGICAL ASSETS *(Continued)*

(b) Climate, disease and other natural risks

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

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	**Porkers** RMB'000	**Total** RMB'000
As at 1 January 2012	6,915	7,201	14,116
Increase due to purchases	761	–	761
Increase due to raising (Feeding cost and others)	7,789	24,310	32,099
Transfer	234	(234)	–
Decrease due to retirement and deaths	(83)	(222)	(305)
Decrease due to sales	(7,109)	(21,985)	(29,094)
Losses arising from change in fair value less costs to sell	(2,112)	(1,215)	(3,327)
As at 31 December 2012 and 1 January 2013	6,395	7,855	14,250
Increase due to purchases	1,475	–	1,475
Increase due to raising (Feeding cost and others)	8,141	25,951	34,092
Transfer	1,106	(1,106)	–
Decrease due to retirement and deaths	(209)	(327)	(536)
Decrease due to sales	(7,435)	(22,877)	(30,312)
(Losses)/gain arising from change in fair value less costs to sell	(1,216)	290	(926)
As at 31 December 2013	**8,257**	**9,786**	**18,043**

Analysed for reporting purposes as:

	2013 **RMB'000**	2012 RMB'000
Non-current portion — breeder hogs	**8,257**	6,395
Current portion — porkers	**9,786**	7,855
At the end of the year	**18,043**	14,250

20. BIOLOGICAL ASSETS *(Continued)*

Principal assumptions for valuation of biological assets

The following principal assumptions have been adopted in the valuation of biological assets:

- there will be no major change in the existing political, legal and economic conditions in the PRC;
- there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;
- the interest rates and exchange rates will not differ materially from those presently prevailing;
- the biological assets are properly fed with balanced diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;
- the biological assets are free from any animal diseases, including but not limited to sarcoptic mange, internal parasites, swine influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;
- the availability of finance will not be a constraint on the breeding of the breeder hogs;
- the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;
- the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and
- The estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

The qualification of the Valuer

The Group's biological assets were independently valued by Asset Appraisal Limited (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation include professional member of the Royal Institution of Chartered Surveyors (the "MRICS"), professional member of the Hong Kong Institute of Surveyors (the "MHKIS"), professional member of the China Institute of Real Estate Appraisal (the "CIREA"), charterholder of the Chartered Financial Analyst Institute (the "CFA") and member of the Global Association of Risk Professional (the "FRM") and have appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, chickens, sophora alopecuroides crops, sunflower seeds and tapioca chips.

20. BIOLOGICAL ASSETS *(Continued)*

The qualification of the Valuer *(Continued)*

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

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

Physical count of biological assets

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

The Valuer has conducted inspection of the farms to understand, among others, the species of pure breed hogs, cross breeding program being undertaken, parameters in selection and culling of breeder hogs and porkers, caring and feeding programs for breeding and fattening hogs and facilities in the farms. To ascertain the quantity of hogs, the Valuer has checked the inventory records compiled by the breeding department and finance department by physical count of selected sample groups of breeder hogs and porkers. Sample groups (with sample size not less than 25% of total quantity) of breeder hogs and porkers in different stages of life cycle have been selected and the following steps have been taken for undertaking physical counting of the selected samples by the Valuer:

- To obtain the warehouse records reflecting the quantities of hogs and piglets as at the reporting date;
- To perform physical counting of hogs and piglets within the curtain-barns as at the reporting date;
- To obtain the warehouse records in relation to the reduction and addition on the number of hogs and piglets of the curtain-barns during the year; and
- To compare and reconcile the results with the stocktaking records prepared by the Group.

20. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

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

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Breeder hogs	**–**	**8,257**	**–**	**8,257**
Porkers	**–**	**9,786**	**–**	**9,786**
Total biological assets	**–**	**18,043**	**–**	**18,043**

As at 31 December 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Breeder hogs	–	6,395	–	6,395
Porkers	–	7,855	–	7,855
Total biological assets	–	14,250	–	14,250

20. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Biological assets			
Breeder hogs and porkers	Level 2	The fair value less costs to sell of the breeder hogs and porkers are determined with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price less costs to sell of finishers (RMB/kg): RMB15.87 (2012: RMB15.93). Market prices of finishers represent the prices of porkers in Hunan Province of around 100 kg in weight. The market prices of finishers in Hunan Province were based on statistics released by the China Animal Agriculture Association (中國畜牧業協會). • Prevailing market price less costs to sell of piglets/weaners (RMB/kg): RMB28.13 (2012: RMB29.18). Market prices of piglet/weaners represent the prices of hogs that are less than 60 days old weighing about 20 kg in Hunan Province. The market prices of piglet/weaners in Hunan Province were based on statistics released by the China Animal Agriculture Association (中國畜牧業協會). • Prevailing market price less costs to sell of boars (RMB/head): RMB5,487 (2012: RMB5,400). Market prices of boars represent the market selling prices of male hogs around 6 months old in Hunan Province. The market prices of male hogs in Hunan Province were obtained from independent price inquiry by the Valuer. • Prevailing market price less costs to sell of gilts (RMB/head): RMB2,311 (2012: RMB2,230). Market prices of gilts represent the market selling prices of gilts around 6 months old in Hunan Province. The market prices of gilts in Hunan Province were obtained from independent price inquiry by the Valuer.

Note: If the above unobservable inputs to the valuation model were 10% higher/lower while all other variables were held constant, the fair value of the biological assets would increase/decrease by approximately RMB1,804,000 (2012: increase/decrease by approximately RMB1,425,000).

21. INVENTORIES

	2013	2012
	RMB'000	RMB'000
Chilled and frozen pork products	**2,895**	1,459
Hog feed and other consumables	**270**	224
	3,165	1,683

22. TRADE RECEIVABLES

	2013	2012
	RMB'000	RMB'000
Trade receivables	**136,712**	124,595

The fair values of trade receivables approximate their carrying amount.

The credit period on sale of pork products is within 80 days. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2013	2012
	RMB'000	RMB'000
Within 30 days	**123,099**	107,253
31 days to 60 days	**13,613**	17,342
Total	**136,712**	124,595

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely review the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. No trade receivables were past due at the end of each reporting period.

The Group does not hold any collateral over the balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments on listing expenses	**2,158**	1,044	**1,827**	871
Deposits and prepayments for property, plant and equipment	**3,966**	38,470	**–**	–
Other prepayments, deposits and other receivables *(note)*	**220**	1,625	**25**	–
	6,344	41,139	**1,852**	871

Analysed for reporting purposes as:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets	**3,966**	38,470	**–**	–
Current assets *(note)*	**2,378**	2,669	**1,852**	871
	6,344	41,139	**1,852**	871

Note: As at 31 December 2013, there were amounts due from shareholders of approximately RMB25,000 included in prepayments, deposits and other receivables of the Group and the Company.

24. BANK BALANCES AND CASH

As at 31 December 2013, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB280,320,000 (2012: RMB202,606,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations' and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Bank balances and cash carry interest at prevailing market saving rates is 0.35% to 0.50% per annum as at 31 December 2013 (2012: 0.35% to 0.50% per annum).

25. TRADE PAYABLES

	2013	2012
	RMB'000	RMB'000
Trade payables	**123,815**	106,257

25. TRADE PAYABLES *(Continued)*

The credit period on purchase of goods is within 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
Within 30 days	107,746	88,849
31 days to 60 days	16,069	17,408
	123,815	106,257

26. ACCRUALS AND OTHER PAYABLES

The Group

	2013 RMB'000	2012 RMB'000
Accruals and other payables	26,812	18,902

The Company

	2013 RMB'000	2012 RMB'000
Accruals and other payables	800	–

27. AMOUNT DUE TO A SHAREHOLDER

The Group

The amount due to a shareholder was unsecured, interest-free and repayable on demand and was settled prior to Listing.

28. BORROWINGS

	2013 RMB'000	2012 RMB'000
Secured bank borrowings	53,000	20,000
Loan from financial institution *(note)*	–	44,817
	53,000	64,817

28. BORROWINGS *(Continued)*

Carrying amount repayable:

	2013 **RMB'000**	2012 RMB'000
On demand or within one year and shown under current liabilities	**53,000**	64,817

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2013 **%**	2012 %
Fixed rate borrowings	**7.20–12.00**	7.20–12.00

Details of guarantees provided by the related parties are set out in note 39(c).

Note: Pursuant to the Deed of Novation dated 29 August 2013, Hong Kong Huisheng has novated all its obligations and liabilities under a loan agreement dated 8 December 2011 to Huimin and the obligations of Mr. Ding and the Company as guarantors have been released. For details of the agreements, please refer to the section headed "Further information about the business of our Group" in Appendix V in the Prospectus.

29. LOAN FROM GOVERNMENT

	2013 **RMB'000**	2012 RMB'000
Loan from government *(note)*	**808**	744

Note: On 28 December 2011, Hunan Huisheng received from the government an interest-free loan with proceeds of RMB1,000,000 to finance the Listing process. Using the prevailing market interest rates of the People's Bank of China for an equivalent loan of 6.40% per annum as at 31 December 2013 (2012: 6.40% per annum), the fair value of the loan is estimated at approximately RMB677,000 on initial recognition. The difference between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (note 31(b)).

30. NOTES PAYABLE

On 28 January 2013, Hunan Huisheng, as one of the issuers, has issued collective notes to independent third parties. The principal amount of the collective notes is RMB260 million in aggregate in the denomination of RMB100 each, of which RMB60 million was issued by Hunan Huisheng.

The collective notes carry interest at 5.9% per annum and are to be redeemed on the third anniversary from the date of issue. The principal amount of the collective notes of RMB260 million in aggregate is guaranteed by China Bond Insurance Co., Ltd.* (中債信用增進投資股份有限公司) Hunan Huisheng is not contingently liable for the liabilities of other joint issuers.

* For identification purpose only

30. NOTES PAYABLE *(Continued)*

For detailed of the collective notes, please refer to the paragraph headed "Notes payable" in the section headed "Financial information" in the Prospectus.

	2013	2012
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Issue of notes payable	**60,000**	–
Transaction cost directly attributable to the issue of notes	**(5,871)**	–
Net proceeds received from issue of notes payable	**54,129**	–
Interest charged at effective interest rate of 10.6% per annum *(note 9)*	**4,904**	–
Interest payable	**(3,269)**	–
At the end of the year	**55,764**	–

31. DEFERRED REVENUE

	2013	2012
	RMB'000	RMB'000
Arising from government grant *(note (a))*	**453**	426
Arising from government loan *(note (b))*	**192**	256
	645	682

Analysed for reporting purposes as:

	2013	2012
	RMB'000	RMB'000
Non-current liabilities	**557**	595
Current liabilities	**88**	87
	645	682

Notes:

(a) As at the end of each reporting period, the Group has unused government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised upon construction of qualifying assets. The government grant is not repayable.

(b) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in 2011.

32. SHARE CAPITAL

For the purpose of the presentation of the consolidated statements of financial position, the balance of the capital as at 31 December 2012 and 2013 represented the issued and fully paid share capital of the Company.

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount	
		HK$	RMB
Authorised:			
Ordinary shares of HK$0.01 each	38,000,000	380,000	312,000
Issued and fully paid:			
Balance as at 1 December 2012, 31 December 2012 and 1 January 2013	10,000	100	82
Issue of shares *(note)*	419	4	3
Balance as at 31 December 2013	**10,419**	**104**	**85**

Note: On 27 July 2013, the Company allotted and issued 419 shares of HK$0.01 each to Hunan HTVC (one of the pre-IPO investors) for a cash consideration of HK$24,844,400 (equivalent to approximately RMB19,764,000). The proceeds for this issue were used for the repayment of the Group's loans, supplementing the Group's working capital and payment of listing expenses.

33. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2012 and 2013 are presented in the consolidated statement of changes of equity of the consolidated financial statements.

As at 31 December 2013, the distributable reserves of the Group amounted to approximately RMB393.4 million (2012: RMB 291.3 million).

33. RESERVES *(Continued)*

(b) The Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2012	13,860	(4,992)	8,868
Loss and total comprehensive loss for the year	–	(5,441)	(5,441)
As at 31 December 2012 and 1 January 2013	13,860	(10,433)	3,427
Loss and total comprehensive loss for the year	–	(6,797)	(6,797)
Issue of shares of the Company	19,763	–	19,763
As at 31 December 2013	**33,623**	**(17,230)**	**16,393**

As at 31 December 2013, no reserves of the Company are available for distribution (2012: Nil).

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years ended 31 December 2012 and 2013.

The capital structure of the Group consists of total borrowings and equity attributable to owners of the Company, comprising borrowings, notes payable, loan from government, amount due to a shareholder, share capital, reserves and retained earnings as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends, injection of capital as well as making new borrowings.

The following is the gearing ratio at the end of each reporting period:

	2013 **RMB'000**	2012 RMB'000
Total borrowings *(note (a))*	**111,541**	66,989
Total equity *(note (b))*	**465,638**	302,444
Gearing ratio	**24.0%**	22.1%

Notes:

(a) Total borrowings represented borrowings, notes payable, loan from government and amount due to a shareholder.

(b) Total equity included all share capital and reserves at the end of each reporting period.

35. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

36. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to bank to secure the Group's banking facilities:

	2013	2012
	RMB'000	RMB'000
Buildings	**28,842**	6,492
Construction in progress	**65,987**	–
Prepaid lease payments	**35,060**	8,768
Plant and machinery	**–**	3,747
	129,889	19,007

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	**140**	140
In the second to fifth years, inclusive	**206**	147
After five years	**543**	568
	889	855

Leases are generally negotiated for a term from one to thirty years. Rentals are fixed at the date of signing lease agreement.

38. CAPITAL COMMITMENTS

	2013	2012
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**33,473**	140,218

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following related party transactions during the years ended 31 December 2012 and 2013:

(a) Sales

Name of person	Nature of transaction	**2013** **RMB'000**	2012 RMB'000
Ms. Ding Jingping *(note)*	Sale of pork products	**–**	66

Note: Ms. Ding Jingping is a sister of Mr. Ding, a shareholder and executive director of the Company. In the opinion of the directors of the Company, the above transactions were conducted in the normal course of business and based on the terms mutually determined and agreed by the respective parties. The directors of the Company have confirmed that the above transactions were discontinued before the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.

(b) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the years ended 31 December 2012 and 2013 is set out in note 12.

(c) Guarantees

	2013 **RMB'000**	2012 RMB'000
Personal guarantees on joint and several basis by certain shareholders and pledge of properties, plants and equipment held by Jinda Commercial Concrete Co., Ltd.* (常德市金達商品砼有限責任公司) ("Jinda Concrete") *(note)*	**5,000**	5,000
Guarantee given by Jinda Concrete *(note)*	**6,000**	–
	11,000	5,000

Note: Jinda Concrete is a company controlled by Mr. Ding, a shareholder and executive director of the Company.

The borrowings related to the above guarantees had been fully repaid prior to listing.

* For identification purpose only

40. NON-CASH TRANSACTION

During the year ended 31 December 2013, the Group entered into a non-cash financing activity which was not reflected in the consolidated statement of cash flows. Pursuant to a Deed of Waiver dated 29 August 2013 entered into between Hong Kong Huisheng and Huimin, Huimin has waived all its rights against Hong Kong Huisheng in connection with the Original Loan Agreement dated 8 December 2011 and the Deed of Novation dated 29 August 2013.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2013:

(a) Pursuant to a resolution in writing passed by all shareholders on 11 February 2014, the authorised share capital of the Company was increased from HK$380,000 to HK$15,000,000 by the creation of a further 1,462,000,000 shares.

(b) On 11 February 2014, each of the executive directors, Mr. Ding, Mr. Yu Jishi, Mr. Ding Jingxi and Mr. Zhou Shigang, has entered into a service contract with the Company pursuant to which each of them agreed to act as an executive director for an initial term of three years commencing from 28 February 2014.

(c) On 11 February 2014, each of the non-executive director and independent non-executive director, Mr. Zhang Zhizhong, Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping, Mr. Liao Xiujian has been appointed for an initial term of two years commencing from 28 February 2014.

(d) As part of the Listing (as defined in (e) below), 299,989,581 shares of HK$0.01 each in the share capital of the Company were issued, credited as fully paid by way of capitalisation of share premium on the proceeds from the allotment of 100,000,000 shares in the manner as detailed in the Prospectus.

(e) On 28 February 2014, the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by offering 120,000,000 shares (including 100,000,000 new shares and 20,000,000 sale shares) at HK$2.05 per share (the "Listing") with net proceeds of approximately HK$164.1 million received by the Company in respect of the issuance of new shares.

    Immediately upon completion of the capitalisation and the global offering, the Company had 400,000,000 issued shares.

(f) The Company granted an option (the "Over-allotment Option") to the underwriters of the International Offering (as defined in the Prospectus), pursuant to which the Company may be required to allot and issue up to an aggregate of 18,000,000 additional shares at HK$2.05 per share, being the final offer price under the global offering, to cover over-allocations in the International Offering. The Over-allotment Option was partially exercised on 21 March 2014 and an aggregate of 2,484,000 shares were issued accordingly. The net proceeds of approximately HK$4.9 million was received by the Company. Please refer to the announcement of the Company dated 24 March 2014 for further details.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2014.

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out below:

RESULTS

	For the year ended 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,106,423**	1,047,620	1,073,892	754,168
Cost of sales	**(962,181)**	(915,391)	(916,263)	(655,668)
Gross profit	**144,242**	132,229	157,629	98,500
Other income	**3,767**	1,737	1,530	416
(Losses)/gains arising from change in fair value less costs to sell of biological assets	**(926)**	(3,327)	(45)	1,124
Selling and distribution expenses	**(13,767)**	(13,490)	(13,585)	(10,345)
Administrative expenses	**(21,024)**	(17,155)	(16,566)	(8,437)
Finance costs	**(10,248)**	(5,901)	(1,434)	(787)
Profit before taxation	**102,044**	94,093	127,529	80,471
Taxation	**–**	–	–	–
Profit for the year	**102,044**	94,093	127,529	80,471
Profit/(loss) for the year attributable to:				
Owners of the Company	**102,168**	94,093	127,529	80,471
Non-controlling interests	**(124)**	–	–	–
	102,044	94,093	127,529	80,471

ASSETS AND LIABILITIES

	As at 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**728,451**	495,274	434,142	238,049
Total liabilities	**(262,813)**	(192,830)	(226,091)	(117,113)
Total equity	**465,638**	302,444	208,051	120,936