ANNUAL REPORT 2015

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ding Biyan, *Chairman*
Mr. Yu Jishi, *Chief Executive Officer*
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

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Deshan Town Economic and
Technological Development Zone
Changde City, Hunan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPLIANCE ADVISER

Cinda International Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
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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

As to Hong Kong Law:
Locke Lord

PRINCIPAL BANKERS

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

STOCK CODE

1340

CHAIRMAN'S STATEMENT

TO THE SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the audited financial results of Huisheng International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2015.

BUSINESS REVIEW

The Group is one of the largest pork suppliers in Changde, Hunan Province, the PRC, and is principally engaged in the production and sale of pork products, and its operations mainly involve hog slaughtering as well as hog breeding and hog farming. The Group's pork products range from fresh, chilled and frozen pork to side products as well as processed pork products including cured pork and sausages.

The Group's long term development strategies are to enhance its hog breeding and farming capacity and reduce the reliance on hogs procured from third parties in order to improve the overall quality of the pork products and also secure additional profits from the breeding and farming business. During the year of 2014, the Group constructed and acquired a number of breeding farms in Changde, and these breeding farms have commenced operations in 2015. Furthermore, in June and July 2015, the Group acquired (i) a breeding farm in Tian He with a site area of approximately 107mu (equivalent to approximately 71,333.69 square metres) at the consideration of RMB54 million, (ii) a breeding farm in Fengshu Xiang with a site area of approximately 101mu (equivalent to approximately 67,333.67 square metres) at the consideration of RMB90 million, and (iii) a fattening farm in Bianshanpu with a site area of approximately 39mu (equivalent to approximately 26,000 square metres) for RMB19.5 million. It is expected that these farms can breed up to 8,000 sows and bring about 160,000 hogs per year in full capacity. The Group also entered into two agreements for the acquisition of two fattening farms in January 2016 in Changde which are subject to the approval from the independent shareholders of the Company and have not yet been completed. The Group will continue to identify appropriate farms for expanding its hog breeding and farming capacity.

For the year ended 31 December 2015, the slaughtering volume of the Group increased by approximately 10.7% to approximately 953,000 heads of hogs as compared with 2014. This was mainly due to the expanded slaughtering capacity provided by the Group's new production base at Changde Economic and Technology Development Zone, Hunan Province, which commenced operation in the first quarter of 2014. With those additional freezer storage facilities, the Group could also distribute more products to farther places such as cities in Hubei Province or Guangdong Province and increase its market penetration rate to other provinces in the PRC.

On 19 May 2015, the Company entered into a placing and subscription agreement for the placing of 80,000,000 ordinary shares of the Company to not less than six independent investors at the placing price of HK$1.25 per share (the "Top-up Placing"). The Top-up Placing was completed in May 2015 and raised net proceeds of approximately HK$97 million, and such proceeds have been used in the acquisition of new farms and also the related improvement works. The Top-up Placing not only broadened the Company's shareholder base and strengthened its capital bases, but also helped the Group to implement its development strategies.

OUTLOOK AND FUTURE PROSPECTS

It is the Group's strategy and ultimate goal to streamline and vertically integrate its entire business operations by further implementing its breeding and farming model in order to maintain a stable supply of quality hogs and minimise the reliance on third party suppliers in the future. In January 2016, the Group entered into an agreement with Huimin Holdings Limited ("Huimin") for the acquisition of all assets and the rights to use the parcel of land (which will expire in 2033) of Nan Zhu Shan fattening farm located in Nan Zhu Shan Village (楠竹山村), Xie Jia Pu Town (謝家鋪鎮), Changde City, Hunan Province at a consideration of RMB47 million. The Group also entered into an agreement with Jisheng Holdings Limited ("Jisheng") for the acquisition of all assets and the rights to use the parcel of land (which will expire in 2045) of Shang Si Ping fattening farm located in Shang Si Ping Village (尚寺坪村), Cha An Pu Town (茶庵鋪鎮), Changde City, Hunan Province at a consideration of RMB38 million. The Company has proposed to issue 55,952,000 and 45,238,000 new shares of the Company to Huimin and Jisheng respectively for the settlement of the said considerations. The transactions are subject to the approval by the independent shareholders of the Company in a general meeting.

The Company believes these two acquisitions will save the time required for constructing new fattening farms, and also reduce the uncertainties and risks that may arise therefrom. Furthermore, the consideration settlement method will provide more flexibility for the allocation of cash resources and coping with the development demand of the Group's growing business.

The Group will follow its founding motto of "Quality Pork for the People's Well-being" to provide quality pork products to its customers. It will continue to invest in the self-breeding business and enhance its product safety and quality. Meanwhile, the Group will seek opportunities for new investment or development, with an aim to broaden the business model and maximise the return for both the Group and the shareholders of the Company. The Group has recently entered into a negotiation with an independent third party in relation to a possible acquisition of the equity interests in companies which are principally engaged in the provision of smart energy and agricultural and forestry waste treatment services in the PRC. The Group's management believes that the possible acquisition may give the Group an opportunity to enter into an industry with promising development potential. In addition, the Group's management will explore the feasibility of applying the technologies employed by the target companies into the Group's hog breeding farms by generating heat or electricity from the wastes of breeding and farming, which may alleviate the impact of rising waste treatment costs associated with the Group's increasing number of self-breeding hogs, and enable the Group's operations to be more environmental-friendly. As at the date of this report, no definitive agreement(s) has been entered by the Group, and further announcement in respect of the said possible acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

APPRECIATION

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

Ding Biyan
Chairman

Hong Kong, 22 March 2016

RESULTS OF OPERATIONS

For the year ended 31 December 2015, the Group recorded revenue of approximately RMB1,514.4 million, representing an increase of approximately 25.9% from approximately RMB1,202.4 million for the year ended 31 December 2014. Such increment was mainly due to the growth in the hog slaughtering volume, which increased by approximately 10.7% compared with the same period of last year due to the enhanced slaughtering capacity and technology.

The average gross profit margin of the Group for the year ended 31 December 2015 was approximately 11.1% compared to approximately 12.8% for the year ended 31 December 2014. Although the average selling price of major pork products increased gradually during 2015, the average cost of hogs rose at a relatively faster pace, leading to a decrease in the average gross profit margin. The average selling prices of major pork products have recovered at a larger scale during the second half of 2015, and it is expected that such trend will continue in 2016.

Other income increased by approximately RMB0.9 million from approximately RMB4.9 million for the year ended 31 December 2014 to approximately RMB5.8 million for the year ended 31 December 2015, which was mainly attributable to the increase in government grant.

It is the Group's strategy to continue to explore new markets outside Hunan Province. In 2015, the Group distributed more pork products to other provinces such as Guangdong Province and Hubei Province. This resulted in an increase in the selling and distribution expenses for the year ended 31 December 2015 by approximately RMB4.9 million to approximately RMB21.4 million. The Group's selling and distribution expenses as a percentage of revenue remained relatively stable at approximately 1.41% and 1.38% for the years ended 31 December 2015 and 2014 respectively.

For the year ended 31 December 2015, the administrative expenses of the Group were approximately RMB25.6 million, while it was approximately RMB26.2 million in 2014. The difference was primarily due to the one-off listing expenses of approximately RMB7.8 million during 2014 and the expansion of business scale of the Group in 2015.

The Group's finance costs decreased by approximately 13.9% to approximately RMB8.7 million for the financial year ended 31 December 2015. The decrease was mainly due to the restructuring of the bank loans combination.

The profit attributable to owners of the Company in 2015 was approximately RMB116.7 million, representing an increase of approximately 12.6% as compared with the same period of 2014. The increase was mainly contributed by the revenue growth as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2015, the Group had bank balances and cash of approximately RMB249.8 million (31 December 2014: approximately RMB366.9 million). The Group also had net current assets of approximately RMB241.8 million, which decreased by approximately RMB102.2 million as compared with that as at 31 December 2014, which was mainly attributable to the increase in bank borrowings and a decrease in bank balances and cash, which was mainly used in the acquisitions of property, plant and equipment. The total non-current assets of the Group were approximately RMB735.6 million as at 31 December 2015 (31 December 2014: approximately RMB440.3 million). The increase in the Group's total non-current assets was mainly attributable to the capital expenditure in the new breeding farms.

As at 31 December 2015, the Group had several outstanding bank loans with an aggregate amount of approximately RMB76.7 million with fixed interest rates ranging from 1.58% to 9.72% per annum. 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 million with a fixed interest rate at 5.9% per annum. The collective notes were all redeemed in January 2016.

The Group intends to finance its operations and investment with its operating revenue, internal resources and bank facilities. The Directors believe that the Group is in 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 for the year ended 31 December 2015. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2015, 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 2015, the Group pledged certain buildings and prepaid lease payments of approximately RMB169.9 million.

GEARING RATIO

As at 31 December 2015, the Group's gearing ratio (being its total debts which are the summation of bank borrowings, notes payable, loan from government and amount due to a shareholder divided by its total equity and multiplied by 100%) was approximately 15.2% (31 December 2014: approximately 14.2%).

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the prospectus of the Company dated 17 February 2014 (the "Prospectus") and in the paragraph headed "Subsequent Events" below, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 June 2015, Taoyuan County Huisheng Meat Products Company Limited (桃源縣惠生肉業有限公司) ("Taoyuan Huisheng"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Taoyuan County Si Xi Breeding Limited (桃源縣四喜養殖有限責任公司) (an independent third party to the Group) to acquire all assets and the land use rights (which will expire in December 2031) of a breeding farm located in Fengshu Xiang, Taoyuan County, Hunan Province at a consideration of RMB54 million. The said acquisition was completed in June 2015.

On 29 July 2015, Taoyuan Huisheng entered into an agreement with Deng Jie Wen (鄧杰文) (an independent third party to the Group) to acquire all assets and the land use rights (which will expire in March 2035) of Hong Feng breeding farm located in Fengshu Xiang, Taoyuan County, Hunan Province at a consideration of RMB90 million. The said acquisition was completed in July 2015.

SIGNIFICANT INVESTMENT

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

CONTINGENT LIABILITIES

As at 31 December 2015, the Directors were not aware of any material contingent liabilities.

SUBSEQUENT EVENTS

On 21 January 2016, Hunan Huisheng Meat Products Company Limited (湖南惠生肉業有限公司) ("Hunan Huisheng"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Huimin (which holds approximately 35.7% of the total issued share capital of the Company) to acquire all assets and the rights to use the parcel of land (which will expire in 2033) of Nan Zhu Shan fattening farm located in Nan Zhu Shan Village (楠竹山村), Xie Jia Pu Town (謝家鋪鎮), Changde City, Hunan Province at a consideration of RMB47 million. The said acquisition has not been completed yet as at the date of this report.

On 21 January 2016, Taoyuan Huisheng entered into an agreement with Jisheng (which holds approximately 17.0% of the total issued share capital of the Company) to acquire all assets and the rights to use the parcel of land (which will expire in 2045) of Shang Si Ping fattening farm located in Shang Si Ping Village (尚寺坪村), Cha An Pu Town (茶庵鋪鎮), Changde City, Hunan Province at a consideration of RMB38 million. The said acquisition has not been completed yet as at the date of this report.

Save as disclosed above, no other subsequent events occurred after 31 December 2015 which may have a significant effect on the assets and liabilities or future operations of the Group.

FOREIGN EXCHANGE EXPOSURE

Since almost all transactions of the Group were denominated either in Renminbi and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the year under review, the Directors believe that foreign exchange exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed about 525 staff and workers in Hong Kong and the PRC (31 December 2014: 486). The Group remunerates its Directors based on the complexity of duties and responsibilities of each individual. 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

On 29 May 2015, the Company issued 80,000,000 new shares to Huimin, the controlling shareholder of the Company, for the completion of the Top-up Placing. The number of issued shares of the Company were then increased to 482,484,000 shares. Save as aforesaid, there has been no change in the capital structure of the Company for the year ended 31 December 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To their best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group as at the date of this report.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like hog prices and pork prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest Rate Risk

For interest-sensitive investments, the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through various means.

Liquidity Risk

Liquidity risk is the potential risk that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken promptly.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving any investment. Regular updates on the progress of the investments of the Group would be submitted to the Board.

Economic Environment

All of the Group's facilities, operations and its revenue are located in and derived from Hong Kong and the PRC. The Group's results of operations and financial condition therefore depend on the economies of Hong Kong and the PRC. The economy of Hong Kong is significantly affected by the developments in the PRC and the Asia-Pacific region. The PRC's economy may experience significant slowdown, and other regional economies may also deteriorate.

The Group also has significant business across the PRC and part of its growth strategy is to expand into new regions. These regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations in, and planned expansion into, these regions.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

After deduction of all related listing expenses and commissions, the net proceeds from the Global Offering and the partial exercise of over-allotment option (as described in the Prospectus) amounted to approximately HK$162.9 million (equivalent to approximately RMB128.8 million). Up to 31 December 2015, the Group has fully utilised the net proceeds in accordance to the proposed usage as set out in Prospectus and the announcement of the Company dated 19 December 2014:

	Net proceeds (RMB million)		
	Available	**Utilised**	**Unutilised**
Acquisition of freezer storage facilities for the new production base	50.2	50.2	–
Construction of the breeding, farming and environmental facilities in a breeding farm in Taoyuan	38.9	38.9	–
Acquisition of a breeding farm in Qinglin Xiang, Changde, Hunan Province	28.0	28.0	–
Constructing or acquiring new hog breeding farms in Changde, Hunan Province	11.7	11.7	–
	128.8	128.8	–

ISSUE OF NEW SHARES AND USE OF PROCEEDS

On 19 May 2015, the Company entered into a placing and subscription agreement for the placing of 80,000,000 ordinary shares of the Company with the aggregated nominal value of HK$800,000 to not less than six independent investors. The Directors have considered various ways of raising funds and consider that the Top-up Placing represented a good opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company. The issue price of each new share is HK$1.25, while the net price (after deduction of all necessary transactions costs in related to the Top-up Placing) of each new share is approximately HK$1.21 each and the closing price of the Company's shares on the date of entering the placing and subscription agreement was HK$1.51 each. The proceeds from the Top-up Placing have been used in the acquisition of new farms and also the related improvement works.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ding Biyan (丁碧燕), aged 52, 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, which is holding approximately 35.7% 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, an executive Director.

Mr. Yu Jishi (于濟世), aged 48, is the chief executive officer and an executive Director of the Company 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 44, is an executive Director and a director and a 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, an 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), Linli Huisheng Ecological Hog Breeding Company Limited* (臨澧惠生生態豬養殖有限公司) and Changde City Dingcheng District Huisheng Meat Products Company Limited* (常德市鼎城區惠生肉業有限公司) since their respective establishment in August 2013, September 2013 and October 2014. 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 41, is an executive Director and a director of Hunan Huisheng, 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.

* Unofficial transliteration from its Chinese name for identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Zhang Zhizhong (張志忠), aged 47, was appointed as a non-executive Director in February 2014. Mr. Zhang is one of the Controlling Shareholders and is a director of Jisheng, which is holding approximately 17.0% of the total issued share capital of the Company. He joined the Group as director of Hunan Huisheng in November 2007 and has also acted as a director of Taoyuan Huisheng since its establishment in September 2014. 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 51, 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 a 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 an independent non-executive director of Convoy Financial 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. Ma was an independent non-executive director of Sky Forever Supply Chain Management Group Limited (stock code: 8047), a listed company on the Growth Enterprise Market of the Stock Exchange, from July 2014 to May 2015.

Mr. Deng Jinping (鄧近平), aged 52, was appointed as an independent non-executive Director in February 2014. He is currently a researcher in the College of Animal Science of South China Agricultural University* (華南農業大學動科院) since March 2016. Mr. Deng was 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), and an assistant tutor, lecturer, deputy professor and tutor of master students of Jiangxi Agricultural University* (江西農業大學). 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 48, was appointed as an independent non-executive Director in February 2014. He is currently a professor of Southwest University of Political Science & Law* (西南政法大學). 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.

* Unofficial transliteration from its Chinese name for identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zhou Zhenghua (周正華), aged 53, 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 59, 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* (桃源縣三陽崗鎮), 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 47, 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 independent non-executive director of Shandong Luoxin Pharmacy Stock Company Limited (stock code: 8058) and Sino Haijing Holdings Limited (stock code: 1106) since 2005 and 2015 respectively, and the company secretary of China Grand Pharmaceutical and Healthcare Holdings Limited (stock code: 512) since 2011. Mr. Foo was an executive director of Jinheng Automotive Safety Technology Holdings Limited (currently known as TUS International Limited) (stock code: 872) from December 2004 to September 2014, and was an independent non-executive director of Ngai Shun Holdings Limited (stock code: 1246) from March 2015 to July 2015. Shares of all these companies are listed on the Stock Exchange.

* Unofficial transliteration from its Chinese name for identification purposes only

REPORT OF THE DIRECTORS

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 2015.

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 AND DISTRIBUTABLE RESERVES

The profit of the Group for the year ended 31 December 2015 and the state of affairs of the Group and the Company as at that date are set out in the consolidated financial statements on pages 32 to 34 and page 90 respectively.

Details of the distributable reserves of the Group and the Company for the year ended 31 December 2015 are set out in the consolidated statement of changes in equity and note 35 to the consolidated financial statements respectively. As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$223,310,000 (2014: HK$157,646,000), of which HK$7,237,000 has been proposed as a final dividend for the year.

DIVIDENDS

The Board recommends the payment of final dividend of HK$0.015 per share for the year ended 31 December 2015 (2014: HK$0.015).

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 35 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.

RETIREMENT SCHEMES

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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.

BORROWINGS AND NOTES PAYABLE

Particulars of borrowings and notes payable of the Group as at 31 December 2015 are set out in notes 28 and 30 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, 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	2.7%	N/A
The five largest customers in aggregate	12.6%	N/A
The largest supplier	N/A	3.5%
The five largest suppliers in aggregate	N/A	16.9%

So far as the Board are aware, neither the Directors, their close 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.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 94 of this report.

ENVIRONMENTAL POLICIES

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. We have installed waste treatment facilities at our breeding farms and production base. We have adopted internal control procedures in relation to waste treatment at our breeding farms and production base, such as the processing of hog faeces into fertilisers and the biological treatment of sewage.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2015, as far as the Company is aware, there was no material breach of or non-compliance with the relevant laws and regulations by the Group that have a significant impact on the business and operations of the Group.

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and provide opportunities for advancement and improvement of their skills.

(ii) Suppliers

The Group has developed long-standing relationships with a number of suppliers and has taken great care to ensure that they share its commitment as to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including experience, reputation and quality control effectiveness.

(iii) Customers

The Group is committed to offer quality products to its customers and keep them informed of its latest business developments.

During the year ended 31 December 2015, there was no significant dispute between the Group and its employees, suppliers and customers.

DIRECTORS

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

Executive Directors

Mr. Ding Biyan *(Chairman)*
Mr. Yu Jishi *(Chief Executive Officer)*
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

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The initial term of each executive Directors under their respective service contracts is three years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, 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 pursuant to a letter of appointment for a term of two years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, unless terminated by not less than one month's notice in writing served by either party. 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.

REMUNERATION OF SENIOR MANAGEMENT

The number of senior management whose remuneration fell within the following band is as follows:

	2015	2014
Nil to HK$1,000,000	**3**	3

SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 February 2014 (the "Share Option Scheme"), which was effective upon listing. The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers and customers of the Company or any of its subsidiaries) for their contribution to the Group. The Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of which the Share Option Scheme is adopted. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The exercise price of the share options shall be not less than the highest of (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

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 8.3% 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 during the period since the Share Option Scheme was adopted and up to 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 any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, 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 31 December 2015, 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)*	172,440,728	35.7%

Note: 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.

Save as disclosed above, as at 31 December 2015, 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 31 December 2015, 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 which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

Long position in issued ordinary shares of the company

Name	Capacity	Number of ordinary shares of the Company held	Approximately percentage of the total issued shares of the Company
Huimin	Beneficial owner	172,440,728	35.7%
Ms. Yang Min (楊敏)	Interest of spouse *(Note 1)*	172,440,728	35.7%
Jisheng	Beneficial owner *(Note 2)*	82,147,999	17.0%

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 31 December 2015, 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 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for (i) the service contracts and letters of appointment entered into with the respective Directors; (ii) the Top-up Placing; and (iii) the proposed acquisition of fattening farms from Huimin and Jisheng as detailed in "Management Discussion and Analysis – Subsequent Events" of this report, no transaction, arrangement or 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 or any entity connected with 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 under review.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for (i) the service contracts and the letter of appointment entered with Mr. Ding Biyan, Mr. Yu Jishi, Mr. Ding Jingxi, Mr. Zhou Shigang and Mr. Zhang Zhizhong who are Directors and Controlling Shareholders; (ii) the Top-up Placing; and (iii) the proposed acquisitions of fattening farms from Huimin and Jisheng as detailed in "Management Discussion and Analysis – Subsequent Events" of this report, there is no contract of significance between the Group and the Controlling Shareholders or any of their subsidiaries.

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, namely Mr. Ding Biyan Huimin, Mr. Ding Jingxi, Mr. Zhang Zhizhong, Mr. Yu Jishi, Mr. Zhou Shigang, Mr. Zhang Jianlong, Ms. Li Xianjie and Jisheng, 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 the Controlling Shareholders have complied with the non-competition undertaking 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 for the year ended 31 December 2015.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2015 are disclosed in note 41 to the consolidated financial statements. Save as disclosed in this report, there were no other 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, 22 March 2016

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 BOARD

The Board is responsible for managing the Company on behalf of the shareholders of the Company. 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 eight Directors, including four executive Directors – Mr. Ding Biyan, Mr. Yu Jishi, Mr. Ding Jingxi and Mr. Zhou Shigang, one non-executive Director – Mr. Zhang Zhizhong, and three independent non-executive Directors – Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping and Mr. Liao Siujian, in compliance with the requirement of Listing Rules which states that every board of Directors of an issuer must include at least three 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.

Biographical details of the Directors and relevant relationships among them are set out on pages 11 to 13 of this report. Save as disclosed therein, there is no financial, business, family or other material or relevant relationship among the Directors.

Subject to the provisions contained in the Company's articles of association, the term of office of all non-executive Directors (including Independent Non-executive Directors) shall expire on 28 February 2018.

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.

During the year ended 31 December 2015, six Board meetings and one general meeting were held and the attendance records of the Directors are set out below:

	Attendance/Number of general meeting	Attendance/Number of board meetings
Executive Directors		
Mr. Ding Biyan	1/1	6/6
Mr. Yu Jishi	1/1	6/6
Mr. Ding Jingxi	1/1	6/6
Mr. Zhou Shigang	1/1	6/6
Non-executive Director		
Mr. Zhang Zhizhong	1/1	6/6
Independent Non-Executive Directors		
Mr. Ma Yiu Ho, Peter	1/1	6/6
Mr. Deng Jinping	1/1	6/6
Mr. Liao Xiujian	1/1	6/6

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.

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 during the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2015.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

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.

BOARD 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. The terms of appointment of each of the non-executive Directors are set out on page 17 of this report. 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.

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 controls, risk management and internal control 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.

The audit committee held two meetings during the year ended 31 December 2015 and reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the interim and annual financial statements. The audit committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the financial statements to the Board for approval. There was no disagreement between management and the external auditors with regard to the interim and annual financial statements.

Details of attendance of members at meetings of the audit committee held during the year ended 31 December 2015 are set out as follows:

	Attendance/ Number of meetings
Mr. Ma Yiu Ho, Peter	2/2
Mr. Deng Jinping	2/2
Mr. Liao Xiujian	2/2

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.

In 2015, 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 during the year ended 31 December 2015 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; (d) reviewing the effectiveness of the board diversify policy; and (e) 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.

In 2015, 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 during the year ended 31 December 2015 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 to prepare the accounts for each financial period. 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 regular 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.

During the year under review, the remuneration payable for audit services provided by the auditors is approximately RMB1.0 million. No non-audit service was provided by the auditors during the year under review.

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 during the year ended 31 December 2015 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 that appropriate for the requirements of the business development of the Group.

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 the shareholders and investors of the Company, and will regularly review this policy to ensure its effectiveness. Information will be communicated to the shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meeting 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Up to the date of this annual report, the Directors complied with the paragraph A.6.5 of the Code Provision on participation in continuous professional training as follows:

	Mode of participation	
	a	**b**
Executive Directors		
Mr. Ding Biyan	✓	✓
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	✓	✓

a: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.

b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

COMPANY SECRETARY

Mr. Foo Tin Chung, Victor, the company secretary of the Company, has confirmed the completion of relevant professional training of over 20 hours.

SHAREHOLDERS' RIGHTS

1. Procedure for Shareholders to convene an extraordinary general meeting

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.

2. Procedures for raising enquiries

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.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong at Room 901, 9th Floor, Loon Kee Building, 267-275 Des Voeux Road Central, Hong Kong.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) Notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;

(b) Notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and

(c) Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

On 11 February 2014, the Company adopted the second amended and restated memorandum of association with immediate effect, and the second amended and restated articles of association, which were effective upon listing. These are available on the websites of the Company and the Stock Exchange. There was no change to the constitutional documents of the Company during the year ended 31 December 2015.

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 32 to 93, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in the 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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, 22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	**1,514,428**	1,202,419
Cost of sales		**(1,346,758)**	(1,047,945)
Gross profit		**167,670**	154,474
Other income	7	**5,777**	4,887
Losses arising from change in fair value less costs to sell of biological assets	20	**(363)**	(2,361)
Selling and distribution expenses		**(21,424)**	(16,549)
Administrative expenses		**(25,595)**	(26,237)
Finance costs	9	**(8,693)**	(10,101)
Profit before taxation		**117,372**	104,113
Taxation	10	**–**	–
Profit for the year	11	**117,372**	104,113
Other comprehensive income/(loss) for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**2,565**	(335)
Other comprehensive income/(loss) for the year, net of income tax		**2,565**	(335)
Total comprehensive income for the year		**119,937**	103,778
Profit for the year attributable to:			
Owners of the Company		**116,694**	103,612
Non-controlling interests		**678**	501
		117,372	104,113
Total comprehensive income for the year attributable to:			
Owners of the Company		**119,259**	103,277
Non-controlling interests		**678**	501
		119,937	103,778
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	15	**25.9**	25.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**640,530**	377,630
Prepaid lease payments	17	**34,360**	34,419
Biological assets	20	**28,743**	21,424
Deposits and prepayments for property, plant and equipment	23	**30,466**	5,350
Available-for-sale investment	19	**1,500**	1,500
		735,599	440,323
Current assets			
Biological assets	20	**25,909**	14,762
Inventories	21	**13,319**	13,214
Prepaid lease payments	17	**840**	773
Trade receivables	22	**183,847**	134,490
Prepayments, deposits and other receivables	23	**17,858**	795
Bank balances and cash	24	**249,783**	366,894
		491,556	530,928
Current liabilities			
Trade payables	25	**140,107**	117,324
Accruals and other payables	26	**30,924**	24,684
Amount due to a shareholder	27	**1,992**	1,894
Borrowings – due within one year	28	**76,731**	43,000
Deferred revenue	31	**49**	55
		249,803	186,957
Net current assets		**241,753**	343,971
Total assets less current liabilities		**977,352**	784,294

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Loan from government	29	**476**	440
Notes payable	30	**59,816**	57,695
Deferred revenue	31	**378**	433
		60,670	58,568
Net assets		**916,682**	725,726
Equity			
Share capital	32	**3,801**	3,168
Reserves		**907,326**	717,681
Equity attributable to owners of the Company		**911,127**	720,849
Non-controlling interests		**5,555**	4,877
Total equity		**916,682**	725,726

Approved by the Board of Directors on 22 March 2016 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 2015

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000 *(note (a))*	Other reserve RMB'000 *(note (b))*	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 2014	–	33,624	1,978	15,150	17,091	393,419	461,262	4,376	465,638
Profit for the year	–	–	–	–	–	103,612	103,612	501	104,113
Other comprehensive loss for the year	–	–	(335)	–	–	–	(335)	–	(335)
Total comprehensive (loss)/income for the year	–	–	(335)	–	–	103,612	103,277	501	103,778
Transfer to statutory reserve	–	–	–	11,738	–	(11,738)	–	–	–
Shares issue expenses	–	(10,542)	–	–	–	–	(10,542)	–	(10,542)
Issue of shares under global offering *(note 32(b))*	789	161,095	–	–	–	–	161,884	–	161,884
Issue of shares under over-allotment option *(note 32(c))*	20	4,948	–	–	–	–	4,968	–	4,968
Issue of shares under capitalisation issue *(note 32(b))*	2,359	(2,359)	–	–	–	–	–	–	–
As at 31 December 2014 and 1 January 2015	3,168	186,766	1,643	26,888	17,091	485,293	720,849	4,877	725,726
Profit for the year	–	–	–	–	–	116,694	116,694	678	117,372
Other comprehensive income for the year	–	–	2,565	–	–	–	2,565	–	2,565
Total comprehensive income for the year	–	–	2,565	–	–	116,694	119,259	678	119,937
Transfer to statutory reserve	–	–	–	11,790	–	(11,790)	–	–	–
Issue of shares under placing *(note 32(d))*	633	78,396	–	–	–	–	79,029	–	79,029
Shares issue expenses	–	(2,279)	–	–	–	–	(2,279)	–	(2,279)
Dividends *(note 14)*	–	–	–	–	–	(5,731)	(5,731)	–	(5,731)
As at 31 December 2015	**3,801**	**262,883**	**4,208**	**38,678**	**17,091**	**584,466**	**911,127**	**5,555**	**916,682**

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) Other reserve represents the capital contributions from the owners of the subsidiaries now comprising the Group before the completion of the reorganisation on 10 November 2011.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Profit before taxation	**117,372**	104,113
Adjustments for:		
Interest income	**(1,061)**	(1,308)
Finance costs	**8,693**	10,101
Depreciation of property, plant and equipment	**26,849**	8,930
Amortisation of prepaid lease payments	**831**	776
Net foreign exchange gain	**–**	(885)
Gains from selling of non-current biological assets	**(672)**	(163)
Losses arising from change in fair values less costs to sell of biological assets	**363**	2,361
Operating cash flows before movements in working capital	**152,375**	123,925
Decrease in biological assets	**65,837**	25,741
Increase in inventories	**(105)**	(10,049)
(Increase)/decrease in trade receivables	**(49,357)**	2,222
(Increase)/decrease in prepayments, deposits and other receivables	**(16,954)**	1,908
Increase/(decrease) in trade payables	**22,783**	(6,491)
Increase/(decrease) in accruals and other payables	**6,240**	(2,128)
Net cash generated from operating activities	**180,819**	135,128
Investing activities		
Interest received	**1,009**	1,222
Purchase of property, plant and equipment	**(55,846)**	(27,059)
Addition of non-current biological assets	**(84,898)**	(46,661)
Proceeds on disposals of non-current biological assets	**904**	579
Purchase of prepaid lease payment	**(839)**	(908)
Deposits and prepayments for property, plant and equipment	**(259,019)**	(114,096)
Net cash used in investing activities	**(398,689)**	(186,923)
Financing activities		
Interest paid	**(6,545)**	(8,109)
Dividend paid	**(5,731)**	–
Proceeds from borrowings	**114,731**	80,400
Repayments of borrowings	**(81,000)**	(90,400)
Repayment for shareholders	**(11)**	(400)
Proceeds from government loan	**–**	(500)
Shares issue expenses	**(2,279)**	(10,542)
Proceeds from issue of shares under placing	**79,029**	166,852
Net cash generated from financing activities	**98,194**	137,301
Net (decrease)/increase in cash and cash equivalents	**(119,676)**	85,506
Cash and cash equivalents at beginning of the year	**366,894**	280,838
Effect of foreign exchange rate changes	**2,565**	550
Cash and cash equivalents at the end of the year	**249,783**	366,894

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 (Law 3 of 1961, as consolidated and revised) 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. Its controlling shareholder is Huimin Holdings Limited ("Huimin"), a limited liability company incorporated in the British Virgin Islands (the "BVI") on 28 September 2011 and wholly owned by Mr. Ding Biyan ("Mr. Ding").

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 Main Board of The Stock Exchange of Hong Kong Limited (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)"), Hongkong Huisheng Meat Food Limited ("Hongkong Huisheng") between Hunan Huisheng Meat Products Company Limited ("Hunan Huisheng") (湖南惠生肉業有限公司) 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 of the Company 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 the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015. A summary of the new and revised HKFRSs are set out as below:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs and HKAS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

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

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange in relation to the disclosure of financial information with reference to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) during the reporting period. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS9, HKFRS 7 and HKAS 39[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Apply the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]

1 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.
4 No mandatory effective date is determined but is available for early adoption.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include 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 2018, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost;
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets, which is measured at fair value less costs to sell, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of 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.

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.

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

The principal accounting policies are set out below:

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

Basis of consolidation *(Continued)*

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.

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.

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

Business combinations *(Continued)*

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), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

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

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

Separate Financial Statements

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

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

Revenue 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 FVTPL) 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 on monetary items are recognised in profit or loss in the reporting period in which they arise except for:

- Exchange differences 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 transactions entered into in order to hedge certain foreign currency risks; and

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

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

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

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.

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

Government grants

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

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

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

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

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

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.

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.

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

Taxation *(Continued)*

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

Current and deferred tax for the year

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

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.

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

Property, plant and equipment *(Continued)*

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	9.50%
Motor vehicles	24%
Furniture, fixtures 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 of inventories is computed using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

Biological assets

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

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

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.

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

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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognised when a group 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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

Financial instruments *(Continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

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, other 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contracts, such as default or delinquency in interest or principal payments;
- 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

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.

In respect of AFS equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an even occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

On derecognition of a financial asset 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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, amounts due to subsidiaries, borrowings, loan from government and notes payable) are subsequently measured at amortised cost using the 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 relevant 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.

Derecognition of financial liabilities

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

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.

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

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

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

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

Related parties transactions *(Continued)*

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

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

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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

Contingent liabilities and contingent assets

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

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

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

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

Segment reporting

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

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 and amortisation

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(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 note 20.

(e) Net realisable value of inventories

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)		
– Trade receivables	**183,847**	134,490
– Other receivables	**17,016**	171
– Bank balances and cash	**249,783**	366,894
	450,646	501,555
Available-for-sale investment	**1,500**	1,500
	452,146	503,055
Financial liabilities		
Amortised cost		
– Trade payables	**140,107**	117,324
– Accruals and other payables	**20,852**	16,293
– Amount due to a shareholder	**1,992**	1,894
– Borrowings	**76,731**	43,000
– Loan from government	**476**	440
– Notes payable	**59,816**	57,695

(b) Financial risk management

The directors of the Company monitor and manage the financial risks relating to the operations of the Group through internal risk 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 balance and cash, available-for sale investment, 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 monitors and manages 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 does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in the banks. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

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 date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2015					
Non-derivative financial liabilities					
Trade payables	–	140,107	–	140,107	140,107
Accruals and other payables	–	20,852	–	20,852	20,852
Amount due to a shareholder	–	1,992	–	1,992	1,992
Borrowings	2.03	76,731	–	76,731	76,731
Loan from government	5.37	500	–	500	476
Notes payable	9.81	60,000	–	60,000	59,816
		300,182	–	300,182	299,974

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2014					
Non-derivative financial liabilities					
Trade payables	–	117,324	–	117,324	117,324
Accruals and other payables	–	16,293	–	16,293	16,293
Amount due to a shareholder	–	1,894	–	1,894	1,894
Borrowings	7.49	43,000	–	43,000	43,000
Loan from government	6.36	–	500	500	440
Notes payable	9.81	–	60,000	60,000	57,695
		178,511	60,500	239,011	236,646

7. REVENUE AND OTHER INCOME

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

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of pork products	**1,504,308**	1,196,157
Others *(note)*	**10,120**	6,262
	1,514,428	1,202,419

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

	2015 RMB'000	2014 RMB'000
Other income		
Interest income on:		
Bank deposits	**1,009**	1,222
Amortisation of deferred revenue	**52**	86
Total interest income	**1,061**	1,308
Government grants *(note)*	**4,018**	2,530
Net foreign exchange gains	**–**	885
Gains from selling of non-current biological assets, net	**672**	163
Sundry income	**26**	1
	5,777	4,887

Note: Government grants mainly represent incentive subsidies granted by the PRC government authorities in relation to processing of ill hogs and subsidies on interest expenses of collective notes. 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.

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:

	2015 **RMB'000**	2014 RMB'000
Segment profit before taxation reported to the CODMs	**117,735**	106,474
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(363)**	(2,361)
Profit before taxation reported in the consolidated financial statements	**117,372**	104,113

Note: The amounts represent fair values 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.

	2015 **RMB'000**	2014 RMB'000
Segment assets reported to the CODMs	**917,045**	728,087
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(363)**	(2,361)
Net assets reported in the consolidated financial statements	**916,682**	725,726

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

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.

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:

	2015 RMB'000	2014 RMB'000
Hunan Province	**1,259,522**	1,016,125
Guangdong Province	**148,596**	91,625
Beijing City	**5,741**	21,741
Others	**100,569**	72,928
	1,514,428	1,202,419

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.

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 83% of the total revenue during the year ended 31 December 2015 (2014: 85%).

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2015 (2014: nil).

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interests on:		
– Borrowings wholly repayable within five years	**3,005**	4,569
– Government loan *(note)*	**27**	61
– Notes payable *(note 30)*	**5,661**	5,471
	8,693	10,101

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

10. TAXATION

	2015 RMB'000	2014 RMB'000
Income tax expense	–	–

Hong Kong

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year ended 31 December 2015.

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

PRC

The PRC Enterprise Income Tax (the "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.

Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得稅優惠政策的農產品初加工範圍（試行）(2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總局) on 20 November 2008. Hunan Huisheng meets the required standard for preferential PRC EIT treatment.

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

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	117,372	104,113
Tax at the applicable income tax rate	29,784	26,094
Tax exemption for subsidiary operating in the PRC	(30,954)	(28,211)
Tax effect of income not taxable for tax purpose	–	(9)
Tax effect of expenses not deductible for tax purpose *(note)*	313	273
Tax effect of tax loss not recognised	857	1,853
Income tax expenses	–	–

Note: The non-deductible expenses mainly consist of entertainment, 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 the PRC 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:

	2015 RMB'000	2014 RMB'000
Directors' emoluments *(note 12)*	**1,273**	1,061
Other staff costs:		
Salaries and other benefits	**23,364**	18,639
Retirement schemes contributions	**4,697**	4,132
Total staff costs	**29,334**	23,832
Auditors' remuneration	**1,000**	793
Depreciation of property, plant and equipment	**26,849**	8,930
Amortisation of prepaid lease payments	**831**	776
Cost of inventories recognised as expenses *(note)*	**1,275,412**	1,003,422
Operating lease rental expenses in respect of rented premises	**279**	138

Note: The amount include the service fee of approximately RMB6,190,000 paid to fattening farms during the year ended 31 December 2015 (2014: RMB2,382,000).

12. DIRECTORS' EMOLUMENTS

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

	2015 RMB'000	2014 RMB'000
Directors' fees	**853**	707
Other emoluments:		
Salaries, allowances and benefits in kind	**369**	309
Discretionary bonus	**–**	–
Retirement schemes contributions	**51**	45
	420	354
	1,273	1,061

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
2015					
Executive directors:					
Mr. Ding	**144**	**139**	**–**	**15**	**298**
Mr. Yu Jishi	**144**	**109**	**–**	**13**	**266**
Mr. Ding Jingxi	**144**	**66**	**–**	**12**	**222**
Mr. Zhou Shigang	**144**	**55**	**–**	**11**	**210**
Non-executive director:					
Mr. Zhang Zhizhong	**59**	**–**	**–**	**–**	**59**
Independent non-executive directors:					
Mr. Ma Yiu Ho, Peter	**120**	**–**	**–**	**–**	**120**
Mr. Deng Jingping	**49**	**–**	**–**	**–**	**49**
Mr. Liao Xiajian	**49**	**–**	**–**	**–**	**49**
	853	**369**	**–**	**51**	**1,273**

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2014					
Executive directors:					
Mr. Ding	119	117	–	13	249
Mr. Yu Jishi *(note)*	119	90	–	12	221
Mr. Ding Jingxi *(note)*	119	55	–	10	184
Mr. Zhou Shigang *(note)*	119	47	–	10	176
Non-executive director:					
Mr. Zhang Zhizhong *(note)*	50	–	–	–	50
Independent non-executive directors:					
Mr. Ma Yiu Ho, Peter *(note)*	41	–	–	–	41
Mr. Deng Jingping *(note)*	41	–	–	–	41
Mr. Liao Xiajian *(note)*	99	–	–	–	99
	707	309	–	45	1,061

12. DIRECTORS' EMOLUMENTS *(Continued)*

Note: Mr. Yu Jishi, Mr. Ding Jingxi, Mr. Zhou Shigang, Mr. Zhang Zhizhong, Mr. Ma Yiu Ho, Peter, Mr Deng Jingping and Mr. Liao Xiajian were appointed as the director of the Company on 11 February 2014.

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

The non-executive director's emoluments shown was mainly for his services as director of the Company.

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

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 2014 and 2015 respectively. None of the directors agreed to waive or waived any emoluments during the year (2014: Nil).

13. EMPLOYEES EMOLUMENTS

The five highest paid individuals during the year included two executive directors (2014: two). Details of whose emoluments are set out above in note 12. The detail of the emoluments of the remaining three (2014: three) highest paid individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**855**	742
Discretionary bonus	**–**	–
Retirement schemes contributions	**40**	32
	895	774

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

	2015	2014
Nil to RMB837,000 (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:

	2015	2014
Nil to RMB837,000 (equivalents to HK$1,000,000)	**1**	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

	2015 RMB'000	2014 RMB'000
Final dividends paid of HK$0.015 per ordinary share (2014: Nil)	**5,731**	–

During the year ended 31 December 2015, the Board declared and paid HK$0.015 per share or approximately HK$7,237,000 in aggregate as final dividend for the year ended 31 December 2014.

The Board recommends the payment of final dividend of HK$0.015 per share for the year ended 31 December 2015. (2014: HK$0.015 per share).

15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	**116,694**	103,612

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**450,046**	402,484

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of approximately RMB116,694,000 (2014: RMB103,612,000) and the weighted average number of 450,046,000 (2014: 402,484,000) ordinary shares in issue during the reporting period.

The weighted average number of shares in issue for the year ended 31 December 2014 reflects the issuance of 100,000,000 and 2,484,000 shares in 2014 in connection with the Company's global offering (the "Global Offering").

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 2014	36,140	7,839	816	1,252	213,804	259,851
Additions	21,925	2,964	–	2,170	112,712	139,771
Transfer	150,844	137,787	–	1,101	(289,732)	–
As at 31 December 2014 and 1 January 2015	208,909	148,590	816	4,523	36,784	399,622
Additions	54,525	151	–	1,170	233,903	289,749
Transfer	1,264	5,942	–	3,033	(10,239)	–
As at 31 December 2015	264,698	154,683	816	8,726	260,448	689,371
Accumulated depreciation						
As at 1 January 2014	7,298	3,876	697	1,191	–	13,062
Provided for the year	4,553	4,178	12	187	–	8,930
As at 31 December 2014 and 1 January 2015	11,851	8,054	709	1,378	–	21,992
Provided for the year	11,422	14,252	12	1,163	–	26,849
As at 31 December 2015	23,273	22,306	721	2,541	–	48,841
Net book values						
As at 31 December 2015	**241,425**	**132,377**	**95**	**6,185**	**260,448**	**640,530**
As at 31 December 2014	197,058	140,536	107	3,145	36,784	377,630

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	9.50%
Motor vehicles	24%
Furniture, fixtures and equipment	19% – 31.67%

Details of property, plant and equipment pledged are set out in note 38.

17. PREPAID LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Cost		
At the beginning of the year	**37,654**	36,746
Additions	**839**	908
At the end of the year	**38,493**	37,654
Accumulated amortisation		
At the beginning of the year	**2,462**	1,686
Charge for the year	**831**	776
At the end of the year	**3,293**	2,462
Net book values	**35,200**	35,192

Analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Non-current assets	**34,360**	34,419
Current assets	**840**	773
	35,200	35,192

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 38.

18. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Country of incorporation/ registration	Principal place of business and date of incorporation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the Company Direct %	Indirect %	Principal activities
Huisheng Food Holdings Limited	British Virgin Islands ("BVI")	Hong Kong, 3 October 2011	Ordinary shares HK$1	100	–	Investment holding
Hongkong Huisheng	Hong Kong	Hong Kong, 14 March 2006	Ordinary shares HK$5,000,000	–	100	Investment holding
Hunan Huisheng *	The PRC	The PRC, 18 December 2007	Registered capital RMB136,700,000	–	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited * ("Linli Huisheng") (臨澧惠生肉業有限公司)	The PRC	The PRC, 19 August 2013	Registered capital RMB12,000,000	–	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited * ("Linli JV") (臨澧惠生生態豬養殖有限公司)	The PRC	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
Taoyuan County Huisheng Meat Products Company Limited * ("Taoyuan Huisheng") (桃源縣惠生肉業有限公司)	The PRC	The PRC, 18 September 2014	Registered capital RMB15,000,000	–	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Changde City Dingcheng District Huisheng Meat Products Company Limited * (常德市鼎城區惠生肉業有限公司)	The PRC	The PRC, 20 October 2014	Registered capital RMB15,000,000	–	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming

* For identification purpose only

18. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests:

Name of subsidiary	Place and date of incorporation	Proportion of ownership interests and voting power held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
				RMB'000	RMB'000	**RMB'000**	RMB'000
Linli JV	The PRC, 17 September 2013	**28.1**	28.1	**678**	501	**5,555**	4,877

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2015	2014
	RMB'000	RMB'000
Current assets	**8,789**	2,431
Non-current assets	**38,309**	30,416
Current liabilities	**27,348**	15,507
Non-current liabilities	**–**	–
Total equity	**19,750**	17,340

	2015	2014
	RMB'000	RMB'000
Revenue	**14,135**	1,064
Cost of sales and expenses	**(15,075)**	(2,429)
Profit for the year	**2,410**	1,781
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**2,410**	1,781
Net cash generated from operating activities	**7,207**	10,461
Net cash used in investing activities	**(9,160)**	(19,449)
Net cash generated from financing activities	**2,000**	3,000
Net cash (outflow)/inflow	**47**	(5,988)

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

	2015 RMB'000	2014 RMB'000
Non-Current		
Unlisted equity investment in the PRC, at cost	**1,500**	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 feeds. The transaction was completed in April 2013.

On 20 April 2015, the shareholders of Changde Jiuding injected an additional capital of RMB10,000,000 which had immediately diluted Hunan Huisheng equity interest in Changde Jiuding from 6% to 5.8%.

The directors of the Company do not consider that the Group is able to exercise significant influence over Changde Jiuding as the remaining equity interest of 94.2% (2014: 94%) is held by 12 shareholders, who also manage the day-to-day operations of Changde Jiuding.

* 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 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:

	2015	2014
Breeder hogs	**6,092**	4,462
Porkers	**28,404**	23,015
	34,496	27,477

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 and exposed to the following operation risks:

(a) Regulatory and environmental risks

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

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 2014	8,257	9,786	18,043
Increase due to purchases	5,933	1,975	7,908
Increase due to raising (Feeding cost and others)	10,216	45,304	55,520
Transfer	1,051	(1,051)	–
Decrease due to retirement and deaths	(843)	(752)	(1,595)
Decrease due to sales	(8,013)	(33,316)	(41,329)
Gain/(losses) arising from change in fair value less costs to sell	4,823	(7,184)	(2,361)
As at 31 December 2014 and 1 January 2015	21,424	14,762	36,186
Increase due to purchases	6,611	18,271	24,882
Increase due to raising (Feeding cost and others)	22,763	68,340	91,103
Transfer	1,834	(1,834)	–
Decrease due to retirement and deaths	(2,327)	(1,166)	(3,493)
Decrease due to sales	(22,612)	(71,051)	(93,663)
Gain/(losses) arising from change in fair value less costs to sell	1,050	(1,413)	(363)
As at 31 December 2015	**28,743**	**25,909**	**54,652**

Analysed for reporting purposes as:

	2015 **RMB'000**	2014 RMB'000
Non-current portion – breeder hogs	**28,743**	21,424
Current portion – porkers	**25,909**	14,762
At the end of the year	**54,652**	36,186

As at 31 December 2015, no biological assets were pledged by the Group (2014: nil).

20. BIOLOGICAL ASSETS *(Continued)*

Principal assumption 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 balance 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 breeders 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.

20. BIOLOGICAL ASSETS *(Continued)*

Principal assumption for valuation of biological assets *(Continued)*

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.

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 of the Company 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.

20. BIOLOGICAL ASSETS *(Continued)*

Principal assumption for valuation of biological assets *(Continued)*

Physical count of biological assets *(Continued)*

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.

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).

20. BIOLOGICAL ASSETS *(Continued)*

Principal assumption for valuation of biological assets *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Breeder hogs	**–**	**28,743**	**–**	**28,743**
Porkers	**–**	**25,909**	**–**	**25,909**
Total biological assets	**–**	**54,652**	**–**	**54,652**

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Breeder hogs	–	21,424	–	21,424
Porkers	–	14,762	–	14,762
Total biological assets	–	36,186	–	36,186

There was no transfer between Level 1, 2 and 3 in both years. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

20. BIOLOGICAL ASSETS *(Continued)*

Principal assumption for valuation of biological assets *(Continued)*

Fair value hierarchy *(Continued)*

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
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): RMB17.00 (2014: RMB13.61). 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): RMB32.00 (2014: RMB24.98). 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): RMB5,761 (2014:RMB5,487). 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): RMB2,427 (2014:RMB2,311). 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 the other variables were held constant, the carrying amount of the biological assets would decrease/increase by approximately RMB5,500,000 (2014: decrease/increase by approximately RMB3,600,000).

21. INVENTORIES

	2015 RMB'000	2014 RMB'000
Chilled and frozen pork products	**11,738**	12,679
Hog feed and other consumables	**1,581**	535
	13,319	13,214

22. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**183,847**	134,490

The Group offered credit period on sale of pork products of 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:

	2015 RMB'000	2014 RMB'000
Within 30 days	**169,719**	127,398
31 days to 60 days	**13,880**	6,424
61 days to 80 days	**–**	317
Over 81 days	**248**	351
Total	**183,847**	134,490

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 the Group management on the collectability of overdue balances.

Trade receivables that were past due are not considered impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Within 30 days	**248**	351

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Deposits and prepayments for property, plant and equipment *(note (a))*	**30,466**	5,350
Other prepayments, deposits and other receivables *(note (b))*	**17,858**	795
	48,324	6,145

Analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Non-current assets	**30,466**	5,350
Current assets *(note)*	**17,858**	795
	48,324	6,145

Notes:

(a) The deposits and prepayments for property, plant and equipment as at 31 December 2014 and 2015 were mainly for the purchase of equipment of production facilities in the Group's slaughter house and breeding farms.

(b) As at 31 December 2015, there were amounts due from shareholders of approximately RMB459,000 (2014: RMB316,000) included in prepayments, deposits and other receivables of the Group. The amounts due from shareholders were unsecured, interest-free and repayable on demand.

(c) As at 31 December 2015, there was amounts due from an independent third party approximately RMB16,748,000 (2014: RMB Nil) included in prepayments, deposits and other receivables of the Group. The amount due was secured, interest bearing at 5% per annum and repayable within one year.

24. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2015 RMB'000	2014 RMB'000
Bank balances and cash	**249,783**	366,894

As at 31 December 2015, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB248,032,000 (2014: RMB346,737,000). 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 0.75% per annum as at 31 December 2015 (2014: 0.35% to 0.50% per annum).

24. BANK BALANCES AND CASH *(Continued)*

Non-cash transactions:

During the year ended 31 December 2015, the Group entered into a non-cash investing activity which is not reflected in the consolidated statement of cash flow. During the year, the addition of property, plant and equipment of approximately RMB5,350,000 (2014: RMB3,966,000) had been paid in previous year and accounted in deposits and prepayment for property, plant and equipment.

25. TRADE PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**140,107**	117,324

The Group was offered 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:

	2015 **RMB'000**	2014 RMB'000
Within 30 days	**140,107**	103,461
31 days to 60 days	**–**	13,863
	140,107	117,324

26. ACCRUALS AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Other payables for property, plant and equipment	**6,426**	1,302
Accruals and other payables *(note (b))*	**24,498**	23,382
	30,924	24,684

Notes:

(a) All accruals and other payables are expected to be settled within one year.

(b) As at 31 December 2015, there were amount due to related party of approximately RMB2,175,000 (2014: RMB172,000) included in accruals and other payables of the Group. The amount due to related party was unsecured, interest-free and repayable on demand.

27. AMOUNT DUE TO A SHAREHOLDER

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

28. BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings	**76,731**	43,000

Carrying amount repayable:

	2015 RMB'000	2014 RMB'000
On demand or within one year and shown under current liabilities	**76,731**	43,000

The carrying amount of the Group's bank borrowings are all originally denominated in RMB and HKD, which are the functional currencies of the Group. The bank borrowings were secured by the Group's assets. Details of pledged assets are set out in note 38.

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

	2015 %	2014 %
Fixed rate borrowings	**1.58–9.72**	7.38–8.96

29. LOAN FROM GOVERNMENT

	2015 RMB'000	2014 RMB'000
Loan from government *(note)*	**476**	440

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 5.37% per annum as at 31 December 2015 (2014: 6.36% 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 details of the collective notes, please refer to the paragraph headed "Notes payable" in the section headed "Financial information" in the Prospectus.

* For identification purpose only.

	2015 **RMB'000**	2014 RMB'000
At the beginning of the year	**57,695**	55,764
Interest charged at effective interest rate of 10.6% per annum *(note 9)*	**5,661**	5,471
Interest payable	**(3,540)**	(3,540)
At the end of the year	**59,816**	57,695

31. DEFERRED REVENUE

	2015 **RMB'000**	2014 RMB'000
Arising from government grant *(note (a))*	**403**	428
Arising from government loan *(note (b))*	**24**	60
	427	488

Analysed for reporting purposes as:

	2015 **RMB'000**	2014 RMB'000
Non-current liabilities	**378**	433
Current liabilities	**49**	55
	427	488

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

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

	Number of shares	Amount	
		HK$'000	*RMB'000*
Authorised:			
Balance as at 1 January 2014			
Ordinary shares of HK$0.01 each	38,000,000	380	312
Increase of ordinary shares *(note (a))*	1,462,000,000	14,620	11,498
Balance as at 31 December 2014, 1 January 2015 and 31 December 2015	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balance as at 1 January 2014	10,419	–	–
Issue of shares under capitalization issue *(note (b))*	299,989,581	3,000	2,359
Issue of shares under the global offering *(note (b))*	100,000,000	1,000	789
Issue of shares under over-allotment option *(note (c))*	2,484,000	25	20
Balance as at 31 December 2014 and 1 January 2015	402,484,000	4,025	3,168
Issue of shares under placing *(note (d))*	80,000,000	800	633
Balance as at 31 December 2015	**482,484,000**	**4,825**	**3,801**

Notes:

(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 an additional 1,462,000,000 shares, such new shares to rank pari passu with the then existing shares in all respects.

(b) As detailed in the Prospectus, immediately following the Global Offering becoming unconditional and the issue of the offer shares, the authorised share capital of the Company has HK$15,000,000 divided into 1,500,000,000 shares and the issued share capital of the Company was increased to HK$4,000,000 divided into 400,000,000 shares, all of which are fully paid upon credited as fully paid.

(c) The Company granted an 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$4,900,000 were received by the Company. Please refer to the announcement of the Company dated 24 March 2014 for further details.

(d) On 26 May 2015 and 29 May 2015, the Company, by way of a top-up placing, placed a total of 80,000,000 placing shares at the placing price of HK$1.25 per share to at least six independent placees selected and/or procured by or on behalf of the placing agent (the "Placees"). The Placees and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons (including Huimin). None of the Placees and their ultimate beneficial owners has become a substantial shareholder (as defined under the Listing Rules) of the Company upon taking up the placing shares. The net proceeds of approximately HK$97,000,000 were received by the Company. Please refer to the announcement of the Company dated 29 May 2015 for further details.

33. SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 February 2014 (the "Share Option Scheme"), which was effective upon listing. The purpose of the Share Option Scheme is to provision of incentives or rewards to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers and customers of the Company or any of its subsidiaries) for their contribution to the Group. The Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of which the Share Option Scheme is adopted. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the shares of the Company on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average Stock Exchange closing price of the shares of the Company for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

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 8.3% 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.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Assets		
Non-current asset		
Investment in subsidiary	–	–
Current assets		
Prepayments	519	496
Amounts due from subsidiaries	242,514	143,822
Bank balances and cash	652	18,778
	243,685	163,096
Current liabilities		
Accruals and other payables	2,576	1,401
Amounts due to a subsidiary	1,017	881
	3,593	2,282
Net current assets	240,092	160,814
Total assets less current liabilities	240,092	160,814
Net assets	240,092	160,814
Equity		
Share capital	3,801	3,168
Reserves	236,291	157,646
Total equity	240,092	160,814

The financial statement was approved and authorised for issue by the board of directors of the Company on 22 March 2016 and are signed on its behalf by:

Ding Biyan
Executive Director

Yu Jishi
Executive Director

35. RESERVES OF THE COMPANY

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2014	33,624	–	(17,231)	16,393
Loss and total comprehensive expense for the year	–	–	(11,889)	(11,889)
Shares issue expenses	(10,542)	–	–	(10,542)
Issue of shares under global offering *(note 32(b))*	161,095	–	–	161,095
Issue of shares under over–allotment option *(note 32(c))*	4,948	–	–	4,948
Issue of share under capitalisation issue *(note 32(b))*	(2,359)	–	–	(2,359)
As at 31 December 2014 and 1 January 2015	186,766	–	(29,120)	157,646
Profit and total comprehensive income for the year	–	12,981	(4,722)	8,259
Issue of shares under placing *(note 32(d))*	78,396	–	–	78,396
Shares issue expenses	(2,279)	–	–	(2,279)
Dividend	–	–	(5,731)	(5,731)
As at 31 December 2015	**262,883**	**12,981**	**(39,573)**	**236,291**

36. 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 2014 and 2015.

The capital structure of the Group consists of total borrowings and equity attributable to owners of the Company, comprising borrowings, notes payables, 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:

	2015 RMB'000	2014 RMB'000
Total borrowings *(note (a))*	**139,015**	103,029
Total equity *(note (b))*	**916,682**	725,726
Gearing ratio	**15.2%**	14.2%

Notes:

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

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

37. RETIREMENT BENEFIT PLANS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the"MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 (2014: HK$:1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (2014: HK$1,500) (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries and an associate in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries and an associate were required to contribute a certain percentage of the payroll of their staff to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year. And at the end of the reporting period, there was no forfeited contribution available to reduce the contributions payable in the future years.

The total costs charged to profit or loss of approximately RMB4,697,000 (2014: RMB4,132,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

38. PLEDGE OF ASSETS

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

	2015	2014
	RMB'000	RMB'000
Buildings *(note 16)*	**135,542**	99,940
Prepaid lease payments *(note 17)*	**34,325**	25,919
	169,867	125,859

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm which fall due as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	**224**	85
In the second to fifth years, inclusive	**228**	95
After five years	**418**	549
	870	729

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

40. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	2,345	35,173

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in notes 23 and 27 to the consolidated financial statements, the Group had entered into transactions with related parties which, in the opinion of directors were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) 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 2014 and 2015 is set out in note 12.

42. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant event took place subsequent to 31 December 2015.

(a) On 21 January 2016, Hunan Huisheng entered into an agreement with Huimin (which holds approximately 35.7% of the total issued share capital of the Company) to acquire all assets and the rights to use the parcel of land (which will expire in 2033) of Nan Zhu Shan fattening farm located in Nan Zhu Shan Village (楠竹山村), Xie Jia Pu Town (謝家鋪鎮), Changde City, Hunan Province at a consideration of RMB47.0 million. The said acquisition has not been completed yet as at the date of this report.

For further details, please refer to the Company's announcement dated 21 January 2016.

(b) On 21 January 2016, Taoyuan Huisheng, entered into an agreement with Jisheng Holdings Limited (which holds approximately 17.0% of the total issued share capital of the Company) to acquire all assets and the rights to use the parcel of land (which will expire in 2045) of Shang Si Ping fattening farm located in Shang Si Ping Village (尚寺坪村), Cha An Pu Town (茶庵鋪鎮), Changde City, Hunan Province at a consideration of RMB38.0 million. The said acquisition has not been completed yet as at the date of this report.

For further details, please refer to the Company's announcement dated 21 January 2016.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 March 2016.

FIVE YEARS FINANCIAL SUMMARY

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

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,514,428**	1,202,419	1,106,423	1,047,620	1,073,892
Cost of sales	**(1,346,758)**	(1,047,945)	(962,181)	(915,391)	(916,263)
Gross profit	**167,670**	154,474	144,242	132,229	157,629
Other income	**5,777**	4,887	3,767	1,737	1,530
Losses arising from change in fair value less costs to sell of biological assets	**(363)**	(2,361)	(926)	(3,327)	(45)
Selling and distribution expenses	**(21,424)**	(16,549)	(13,767)	(13,490)	(13,585)
Administrative expenses	**(25,595)**	(26,237)	(21,024)	(17,155)	(16,566)
Finance costs	**(8,693)**	(10,101)	(10,248)	(5,901)	(1,434)
Profit before taxation	**117,372**	104,113	102,044	94,093	127,529
Taxation	**–**	–	–	–	–
Profit for the year	**117,372**	104,113	102,044	94,093	127,529
Profit/(loss) for the year attributable to:					
Owners of the Company	**116,694**	103,612	102,168	94,093	127,529
Non-controlling interests	**678**	501	(124)	–	–
	117,372	104,113	102,044	94,093	127,529

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,227,155**	971,251	728,451	495,274	434,142
Total liabilities	**(310,473)**	(245,525)	(262,813)	(192,830)	(226,091)
Total equity	**916,682**	725,726	465,638	302,444	208,051