HUISHENG INTERNATIONAL HOLDINGS LIMITED

惠生國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340

ANNUAL REPORT

2017

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ding Biyan, *Chairman*
Mr. Chan Chi Ching
Dr. Liu Ta-pei
Ms. Lam Ka Lee

Independent Non-executive Directors

Mr. Wong Yuk Lun, Alan
Mr. Deng Jinping
Mr. Wong King Shiu, Daniel

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Ching
Ms. Lam Mei Wai Michelle

AUDIT COMMITTEE

Mr. Wong Yuk Lun, Alan, *Committee Chairman*
Mr. Deng Jinping
Mr. Wong King Shiu, Daniel

REMUNERATION COMMITTEE

Mr. Wong King Shiu, Daniel, *Committee Chairman*
Mr. Ding Biyan
Mr. Wong Yuk Lun, Alan

NOMINATION COMMITTEE

Mr. Deng Jinping, *Committee Chairman*
Mr. Chan Chi Ching
Mr. Wong Yuk Lun, Alan
Mr. Wong King Shiu, Daniel

REGISTERED OFFICE

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

WEBSITE OF THE COMPANY

www.hsihl.com

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 8A, 8/F
Aubin House
171–172 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISERS

As to Cayman Islands Law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
DBS Bank (Hong Kong) Limited
The Bank of East Asia

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 2017.

In recent years, the hog industry in China has been gradually altering. The dietary habits of Chinese people for protein has shifted from mainly pork to other sources like chicken or beef and increasing demand for higher quality of pork have great impact on our business. Meanwhile, the requirement and standard for the farms and breeding facilities are changing to higher level in recent years. The Company understands that it would be lagging behind if it stay stagnant in its business model and strategy. In 2017, the Company had been preparing itself to adapt to the new challenges.

We believe that the very first step to improve our business is to have a strong and healthy capital basis. In early 2017, the Company has raised fund totaling approximately HK$144.75 million by way of issuance of 289,490,000 rights shares to qualifying shareholders at a subscription price of HK$0.50 per rights share on the basis of one (1) rights share for every two (2) existing shares. This gave more flexibility to the Company to identify potential investment and business opportunities and to reform the existing business of the Company.

In order to diverse the business risk and to open up new income source, the Company have started looking for some new investment or business opportunities in 2017 as further explained in the "Management Discussion and Analysis" session. Nevertheless, the Company had never overlooked the existing business of the Company. There is a market trend in China to remove the old and backward breeding facilities and farms and substitute with more professional and advanced facilities to provide a prolific pork production of higher standard. To cater with the demand of qualified pork products as well as to meet with the more stringent environmental protection requirement, the Company had written-off certain idle breeding facilities and equipped ourselves with sewage and waste treatment facilities. We believe that the Company will become more efficient and productive. Besides, it enables the Company to spare capital for new investments or business opportunities to diversify business risk and open up new income source.

The success of a business lies on how a corporate react and slither along the macro market environment while taking the company's business in consideration so that it will maintain the healthy blade of its business. The seemingly ambiguous trade war between the US and China recently, for example, may paint volatility and uncertainty to the current market. The Company believes that the business strategy of improving the existing business while searching for new opportunities will allow the Company to walk sustainably with two legs of existing and new businesses.

CHAIRMAN'S STATEMENT (CONTINUED)

OUTLOOK AND FUTURE PROSPECTS

In recent years, the price of pork products has entered into the downward cycle and has continued for a period of time. The Group has got prepared during the year by means of restructuring the existing facilities to a more efficient and updated settings, and also seek for opportunities to develop a brand of higher quality pork products to cope with the need of mid-to-high end customers. The Group is also planning to restructure the current breeding models including changing the usage of existing farms, dispose or abandon idle facilities and source other larger farms with better effectiveness in order to increase the proportion of self-breeding hogs.

Besides, people are becoming more conscious on healthy eating habits and environmental issues which leads to a trend of greener diet. To tackle with this, alongside with reforming existing business in order to provide higher quality of pork products to our customers, the Board and the management of the Company will keep pace with the market condition and refine the business direction of the Company accordingly so that we can divert the business risk for the long term development. The Company will closely monitor and review the performance of the businesses of the Company and make suitable fine tuning as appropriate. With the goal of bringing sustainable growth of the Company and cash flow and profits for our Shareholders, the Board will continue to proactively seek for good opportunities for new business investment or development.

APPRECIATION

Last but not least, I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and support. And also I would like to extend my heartfelt thanks to our directors, management team and staff for their tireless endeavor and report under the fierce market situation, and continue to bring the Group forward to attain better results.

Ding Biyan
Chairman

Hong Kong, 16 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

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 product line ranges from fresh, chilled and frozen pork, to side products as well as processed pork products including cured pork and sausages.

In the year 2017, the Group faced challenging market situation. According to the statistics from the National Bureau of Statistics of the PRC, in 2017, the price of pork products recorded a 11-month decrease in which the largest decrease was approximately 16.7% while throughout the full year there was an approximately 8.8% decrease as compared with 2016. The decrease is mainly due to the supply exceeds demand, which is mainly resulted from: (1) in the past 2 years the local breeding farmers were attracted by the continuous high price of pork products and thus increased the investment in breeding hogs, which resulted the over-supply of pork products; and (2) the continuous changing of dietary habits, in which more and more Chinese people would prefer to spend more in pork products with high quality, or other alternatives such as chicken or beef in order to maintain a healthy diet and fulfil their need of protein. As a result of the decrease in market price and also the decrease in sales volume, during the year ended 31 December 2017, the revenue of the Group was approximately RMB674.0 million, which was approximately 41.6% less than the same period of 2016.

In order to deal with the changing market environment, the Group has already taken a few actions. The Group is fine-tuning the supply chain and reformulating the source of hogs such as actively eliminates certain old breeder hogs and sources other better species as replacement in order to enhance the quality of pork products. Furthermore, with the aim of enhancing the utilization efficiency and reduction of costs, in May 2017 the Group disposed a small breeding farm at a consideration of RMB14.5 million and figuring other ways to reduce the idle capacity. Such move may not only cut down the low efficiency assets, but will also provide funds to the Group as spare working capital. The slaughter industry is a cash-base industry and the Group may need to settle the cost of hogs within a short period of time, and thus the Group has the intension to maintain a higher level of working capital for dealing with the difficult market situation. The Group is also considering other ways to reduce fixed costs and increase the cost elasticity by means of restructuring the supply model, such as written-off certain idle breeding facilities and consolidate the breeding activities into a few farms. Moreover, in view of the higher environmental protection requirements and the more frequent inspections from the related government authorities, the Group has spent more in sewage and waste treatment facilities and is evaluating the cost efficiency of maintaining the current breeding facilities while meeting the higher environmental regulatory requirements.

In December 2016, the Company proposed to raise approximately HK$144.75 million, before expenses, by way of the issuance of 289,490,000 rights shares to the qualifying shareholders at a subscription price of HK$0.50 per rights share on the basis of one (1) rights share for every two (2) existing shares held on the record date (the "Rights Issue"). The Directors consider that the Rights Issue will (i) reduce the uncertainty over the Company's financial position to repay part of the outstanding balance of such borrowings which incur high interest rate; (ii) strengthen the capital base of the Group and give the qualifying shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company; and (iii) provide the Group with flexibility in identifying potential investment opportunities. The Rights Issue was completed in February 2017. The gross proceeds and the net proceeds of the Rights Issue were approximately HK$144.75 million and HK$140.53 million respectively. The Company intended to use (i) approximately HK$87.82 million (representing approximately 62.5% of the net proceeds from the Rights Issue) for repayment of the borrowings of the Group; and (ii) approximately HK$52.71 million (representing approximately 37.5% of the net proceeds from the Rights Issue) for general working capital of the Group and financing any future business opportunities as may be identified by the Company. Details of the Rights Issue are set out in the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus dated 9 January 2017.

Since 10 January 2017, the board lot size of the shares for trading on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the Company (the "Share(s)") has been changed from 2,000 shares to 4,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the year ended 31 December 2017 (the "Reporting Period"), the actual use of proceeds of the Rights Issue is as follows:

Net proceeds raised (Approximately)		Intended use of proceeds	Actual use of proceeds (Approximately)
HK$87.82 million		For repayment of the borrowings of the Group	Fully used as intended
HK$52.71 million	HK$8.67 million	For payment of finance cost	Fully used as intended
	HK$3.24 million	For payment of legal and professional fee	Fully used as intended
	HK$2.45 million	For payment of staff and related cost	Fully used as intended
	HK$0.82 million	For payment of rental and office expenses	Fully used as intended
	HK$2.40 million	For payment of other administrative expenses	Fully used as intended
	HK$35.13 million	For future business opportunities	HK$17.15 million was used for setting up a licensed money lending company and for purchasing a property for rental income. In order to utilize the idle cash and seek for short term return in accordance to the treasury policy as adopted by the Company, the Group used HK$17.98 million for acquiring listed securities and convertible bonds.

Meanwhile, the Company understands providing incentives or rewards to the eligible persons for their contribution to the Group is important for long-term development of the Company. On 10 April 2017, the Company had granted a total of 40,000,000 share options of the Company at an exercise price of HK$0.51 per Share (the "Option(s)") to a Director, eligible employees and consultants of the Group. Among the Options granted, 5,000,000 Options were granted to an executive Director of the Company. Details of the grant of Options are set out in the announcement of the Company dated 10 April 2017.

On 11 July 2017, the Company announced that during the period from 3 April 2017 to 11 July 2017, the Group has disposed of 64,400,000 shares of China Candy Holdings Limited (Stock Code: 8182) ("China Candy Shares") at prices between HK$0.29 and HK$0.87 per share for an aggregate net sale proceeds of approximately HK$46,191,000 (after deduction of transaction costs) on the market (the "Disposal of Shares"). The purpose of the Disposal of Shares is to allow the Group to liquidate its securities investment and reallocate its resources in line with the Group's business development. Immediately before the Disposal of Shares, such China Candy Shares were classified as held for trading investments in the accounts of the Group. As a result of the Disposal of Shares, a gain of approximately HK$35,951,000 would be recorded in 2017. The aforesaid gain is calculated on the basis of the difference between the original acquisition cost and net sale proceeds (after deduction of the transaction costs). The Group intends to use the net proceeds of the Disposal of Shares for its existing business plans and/or general working capital.

On 18 July 2017, the Company entered into a placing agreement (the "Placing Agreement"), pursuant to which the Company has conditionally agreed to place, through a placing agent (the "Placing Agent") on a best endeavour basis, an aggregate of up to 173,692,000 shares to not less than six independent investors (the "Placing"). The Placing price was HK$0.40 per share, and the net proceeds from the Placing were expected to be approximately HK$67.9 million. On 8 August 2017, the Company and the Placing Agent had entered into a supplemental agreement to extend the long stop date from 8 August 2017 to 22 August 2017. On 22 August 2017, the Company further announced that due to the conditions of the Placing have yet to be fulfilled, and as such, the Placing Agreement had lapsed and the Placing had not proceeded. Details of the Placing are set out in the announcements dated 18 July 2017, 8 August 2017 and 22 August 2017.

On 31 August 2017, with the vision of diversifying the business risk and opening up new revenue source, the Company has entered into a sales and purchase agreement with LEAP Holdings Group Limited, an independent third party (as defined in the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "Listing Rules")), in relation to the acquisition of the entire share capital of Simple Rise Inc., a British Virgin Islands incorporated company, which is the registered and beneficial owner of a property in Hong Kong (the "Property") at a consideration of HK$17,000,000 (the "Acquisition"). After the Reporting Period, the Company has started generating rental income of the Property.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB674.0 million, representing a decrease of approximately 41.6% as compared with the same period of last year. The reduction was mainly due to the lower unit price as compared with the same period of last year as a result of supplies over demands. Given the selling price of pork products is more elastic than the cost of hogs, this resulted that the average selling price of pork products decreased at a faster pace than the average cost of hogs. Also, the changing dietary habits and the keen competition of imported pork products resulted a reduction in sales volume, and smaller slaughtering volume also lower the utilization rate and hence each products may bear more fixed costs. As a result, the average gross profit margin of the Group decreased from approximately 9.5% in 2016 to approximately 4.2% in the current year.

The selling and distribution expenses of the Group for the year ended 31 December 2017 decreased by approximately RMB10.2 million to approximately RMB11.2 million which is in line with the decrease in revenue for the year.

For the year ended 31 December 2017, the administrative expenses of the Group were approximately RMB35.4 million, while it was approximately RMB54.6 million in 2016. The reduction of administrative expenses is mainly due to the Group aimed to reduce cost in order to cope with the challenging situation, and thus implemented cost-saving policies such as streamline the administrative structure and encouraged staffs to perform business activities in a more cost-effective way.

The Group's finance costs was approximately RMB8.6 million in 2017, while it was approximately RMB9.4 million in 2016. The Company completed the issuance of new Shares under the Rights Issue during the first half of 2017, and applied certain proceeds to repay the borrowings of the Group and thus the finance costs were reduced.

The loss attributable to owners of the Company in 2017 was approximately RMB0.3 million, while it was profit approximately RMB70.7 million in 2016. The reduction was mainly due to the decrease of slaughtering volume and selling price, losses resulted from the elimination of breeder hogs and the decrease of fair value of biological assets, and also the recognition of an one-off equity-settled share-based payment expenses during this Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2017, the Group had bank and cash balances of approximately RMB349.8 million (31 December 2016: approximately RMB256.2 million). The Group also had net current assets of approximately RMB414.4 million, which increased by approximately RMB181.7 million as compared with that as at 31 December 2016 which is mainly attributable to the issuance of new shares under the Rights Issue to repay the debts. The total non-current assets of the Group were approximately RMB754.7 million as at 31 December 2017 (31 December 2016: approximately RMB805.0 million). The decrease in the Group's total non-current assets was mainly attributable to the depreciation and written-off of property, plant and equipment.

As at 31 December 2017, the Group had several outstanding borrowings with an aggregate amount of approximately RMB63.3 million with fixed interest rates ranging from 4.0% to 14.0% per annum.

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 2017. 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 2017, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

As at 31 December 2017, the Group had no charges on the Group's assets (2016: RMB163.1 million).

GEARING RATIO

As at 31 December 2017, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 5.4% (31 December 2016: approximately 15.1%).

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.

CONTINGENT LIABILITIES

As at 31 December 2017, the Directors were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 August 2017, the Company has entered into a sales and purchase agreement with LEAP Holdings Group Limited, an independent third party (as defined in the Listing Rules), in relation to the acquisition of the entire share capital of Simple Rise Inc., a British Virgin Islands incorporated company, which is the registered and beneficial owner of the Property at a consideration of HK$17,000,000.

Save as disclosed above, for the year ended 31 December 2017, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

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

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 387 staff and workers in Hong Kong and the PRC (31 December 2016: 436). 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

Since 10 January 2017, the board lot size of the Shares for trading on the Stock Exchange has been changed from 2,000 shares to 4,000 shares. The change of the board lot size does not result in any changes in the relative rights of the holders of the Shares.

In February 2017, the Company had completed the issuance of 289,490,000 Rights Shares to the qualifying shareholders at a subscription price of HK$0.50 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the record date.

On 2 February 2017, as a result of the Rights Issue, the issued Shares of the Company has increased from 578,980,000 Shares to 868,470,000 Shares.

As at 31 December 2017 and the date of this report, there are a total of 868,470,000 issued Shares of the Company.

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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ding Biyan (丁碧燕), aged 54, is the chairman of the Board (the "Chairman") and an executive Director, 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. 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. Chan Chi Ching (陳始正), aged 39, was appointed as executive Director on 7 June 2016. He has also been authorised representative of the Company and a member of nomination committee of the Company since 24 November 2016. He is also a director of various subsidiaries of the Group. Mr. Chan has extensive experience and network in media and public relations industries. He had more than 10 years of experience in editorial and management in Apple Daily Limited, a major media in Hong Kong. He is currently a director of a financial public relation firm.

Dr. Liu Ta-pei (劉大貝), aged 66, was appointed as executive Director on 16 June 2016. Dr. Liu graduated from Chung-Hsing University in Taiwan. After graduation, he continued his studies in Cheng-Chi University, Taiwan and the University of Southern California, U.S.A. and obtained Master of Law and MBA degrees respectively. He was then conferred his Doctoral degree in public administration from the University of La Verne, U.S.A. and Doctoral degree in Finance from Shanghai University of Finance and Economics. Apart from his strong educational background, Dr. Liu has been active in the financial field for more than 20 years.

Currently, Dr. Liu is an independent non-executive director of China Vanguard You Champion Holdings Limited (Formerly known as: China Vanguard Group Limited) (Stock Code: 8156, a listed company on the GEM board of the Stock Exchange). He was previously a director of Mega Financial Holding Company Limited (Stock Code: 2886. TW, a company listed and traded on the Taiwan Stock Exchange) and also served as the chairman of Mega Securities Co. Ltd, and Mega Bills Finance Co., Ltd respectively. He had also been the director of Universal Chinese Securities Finance Co. Ltd., Hung-Hsin Bill Co. Ltd., and the chairman of Jen Hua Investment Holding Company. Dr. Liu had served China Development Industry Bank, one of the top management of Taiwan's largest Investment Banks. Dr. Liu had been the chief executive officer and an executive director of the Core Pacific Yamaichi Group. Because of his outstanding contribution in the financial field, Dr. Liu was awarded Bronze Bauhinia Star in Hong Kong in 2013, and was ranked as one of the 'Top Ten Intelligent Financial Personnel in Greater China'. He was conferred the 'Best Integrity Award' in 2008 and was granted the honour of 'Golden Peak Award of Outstanding Corporation Leaders in Taiwan' in 1998.

Ms. Lam Ka Lee (林珈莉), aged 34, was appointed as executive Director of the Company on 16 June 2016. She is also a director of various subsidiaries of the Group. Ms. Lam holds a Bachelor of Business Accounting degree from Swinburne University of Technology. Ms. Lam has broad working experience in investment banks and in the financial field. She has been working in various renowned international financial institutions including ABN AMRO Clearing HK Ltd, Barclays Capital, Bank of America Merrill Lynch and ANZ Banking.

* Unofficial transliteration from its Chinese name for identification purposes only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Yuk Lun, Alan, aged 43, was appointed as independent non-executive Director on 6 July 2017. Mr. Wong holds a Bachelor's degree of Accounting and Finance in University of Sunderland. Mr. Wong had been working with various accounting firms and commercial companies for about 20 years of working experience and was responsible for works related to financial management, taxation, audit and non-audit services.

Mr. Wong is currently an independent non-executive director of TUS International Limited (a company listed on the main board of the Stock Exchange, stock code: 872) since 2 September 2014. He was also an independent non-executive director of Bolina Holding Co., Ltd. (a company listed on the main board of the Stock Exchange, stock code: 1190) from 7 July 2016 to 27 March 2017.

Mr. Deng Jinping (鄧近平), aged 55, was appointed as independent non-executive Director on 11 February 2014. He has been a post doctoral fellow and tutor of the College of Animal Science and Technology of Hunan Agricultural University* (湖南農業大學動物科學技術學院), 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. Wong King Shiu, Daniel (黃景兆), aged 58, was appointed as independent non-executive Director on 7 June 2016. Mr. Wong has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He is currently an executive director and an authorized representative of China Baoli Technologies Holdings Limited (a company listed on the main board of the Stock Exchange, Stock Code: 164) and an executive director of China Information Technology Development Limited (a company listed on the GEM board of the Stock Exchange, Stock Code: 8178).

SENIOR MANAGEMENT

Mr. Zhou Zhenghua (周正華), aged 55, 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 61, 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.

* Unofficial transliteration from its Chinese name for identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle, aged 34, was appointed as company secretary (the "Company Secretary") and authorized representative of the Company on 20 September 2017. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom. Ms. Lam holds a Bachelor of Arts from The University of Hong Kong and a Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong. She has extensive working experience in company secretarial field and corporate governance practices with various listed companies.

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 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 41 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.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 5 to 11 and the "Chairman's Statement" as set out on pages 3 to 4 of this report. Such discussion forms part of this "Report of the Directors".

CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTABLE RESERVES

The profit of the Group for the year ended 31 December 2017 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 40 to 42 and page 104 respectively.

Details of the distributable reserves of the Group and the Company for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements respectively. As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB417,274,000 (2016: RMB286,091,000).

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 15 to the consolidated financial statements.

RESERVES

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

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 30 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 Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles") 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 2017 are set out in notes 27 and 28 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the five largest customers of the Group accounted for less than 25.0% of the Group's total revenue, while the five largest suppliers accounted for less than 15.4% 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	9.8%	N/A
The five largest customers in aggregate	25.0%	N/A
The largest supplier	N/A	3.2%
The five largest suppliers in aggregate	N/A	15.4%

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 pages 111 and 112 of this annual 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.

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be issued before the end of June 2018.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, 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 2017, 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. Chan Chi Ching
Dr. Liu Ta-pei
Ms. Lam Ka Lee

Independent non-executive Directors

Mr. Deng Jinping
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan *(Appointed on 6 July 2017)*
Mr. Ma Yiu Ho, Peter *(Resigned on 6 July 2017)*
Mr. Liao Xiujian *(Resigned on 20 September 2017)*

In accordance with articles 83(3) and 84 of the Articles, the following Directors, namely, Mr. Wong Yuk Lun, Alan, Mr. Chan Chi Ching, Mr. Wong King Shiu, Daniel and Mr. Deng Jinping will retire from the Board 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. Mr. Ding Biyan, the Chairman and executive Director, is 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.

During the year ended 31 December 2017, except for Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan, each of other 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.

Each of Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan, has been appointed pursuant to a letter of appointment for a term of three 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 three months notice in writing served by either party.

Save for their remuneration, none of the independent non-executive Directors is expected to receive any other emoluments for holding their office as 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 11 to the consolidated financial statements.

REMUNERATION OF SENIOR MANAGEMENT

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

	2017	2016
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	3	3

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 11 February 2014 ("Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the Directors of the Company, as incentives or rewards for their contributions to the Group.

On 10 April 2017, the Company granted a total of 40,000,000 Options with the rights to subscribe 40,000,000 ordinary Shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. The closing price per share immediately before the grant of Options on 10 April 2017 was HK$0.51. A total of 5,000,000 Options were granted to a Director.

Details of such interests and movement of Options granted by the Company are shown below:

		Number of share options		
Name of Grantees	**Position held with the Company**	**Outstanding as at 1 January 2017**	**Granted on 10 April 2017 and outstanding as at 31 December 2017**	**Exercise price**
Director				
Chan Chi Ching	Executive Director	–	5,000,000	HK$0.51
Other Eligible participants				
Employees and consultants		–	35,000,000	HK$0.51
Total			**40,000,000**	

None of the outstanding Options were exercised, cancelled or lapsed during the year ended 31 December 2017.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2017 was 86,847,000 shares which represented 10% of the issued share capital of the Company.

Save for the Share Option Scheme as disclosed above, at no time during the year 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.

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

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 as at 31 December 2017 were as follows:

Long Position in Ordinary Shares of the Company

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of shareholding *(Note)*
Chan Chi Ching	Beneficial Owner	5,000,000 (Underlying Shares)	0.58%

Note: The percentage is calculated based on the total number of ordinary Shares of the Company in issue as at 31 December 2017, which was 868,470,000.

Save as disclosed above, 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 as at 31 December 2017.

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

As at 31 December 2017, no person (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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the service contracts and letters of appointment entered into with the respective Directors, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director was or had been materially interested, whether directly or indirectly, subsisted at the end of the year under review or any time during the year.

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.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

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 2017.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2017 are disclosed in note 39 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, 16 March 2018

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions (the "Code Provision(s)") and certain recommended best practices contained in the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve the Company's standards of corporate governance practices.

The Company had complied with the Code Provisions during the year ended 31 December 2017 except for the following:

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board. The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision A.6.7

Code Provision A.6.7 stipulates that all directors have given the board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Ding Biyan and Dr. Liu Tai-pei (both executive Directors), Mr. Deng Jinping and Mr. Wong King Shiu, Daniel (both independent non-executive Directors), Mr. Ma Yiu Ho, Peter (resigned as independent non-executive Director on 6 July 2017) and Mr. Liao Xiujian (resigned as independent non-executive Director on 20 September 2017) were unable to attend the annual general meeting ("AGM") held on 30 June 2017 due to their other business engagements.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

Mr. Ding Biyan, the chairman of the Board was unable to attend the AGM on 30 June 2017 due to other business engagement. However, an executive Director had chaired the AGM on 30 June 2017 and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in the Company's annual report.

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 currently comprises seven Directors, including four executive Directors — Mr. Ding Biyan, Mr. Chan Chi Ching, Dr. Liu Ta-pei and Ms. Lam Ka Lee, and three independent non-executive Directors — Mr. Wong Yuk Lun, Alan, Mr. Deng Jinping, and Mr. Wong King Shiu, Daniel, 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.

The list of Directors during the year and up to the date of this report is set out on page 18 and the biographical details of the Directors and relevant relationships among them (if any) are set out on pages 12 to 14 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, the term of office of the independent non-executive Director, Mr Deng Jinping shall expire in 2020.

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ding Biyan is the Chairman of the Board. The Chairman is responsible for the strategic development and planning of the Group.

Currently, the Company does not have the role of chief executive officer. The chief executive officer's duties have then been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board.

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 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.

NON-EXECUTIVE DIRECTORS

The Board considers the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and the Sharehoders.

The terms of appointment of each of the independent non-executive Directors are set out on page 19 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.

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.

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year ended 31 December 2017, fourteen 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 Director		
Mr. Ding Biyan	0/1	14/14
Mr. Chan Chi Ching	1/1	14/14
Dr. Liu Ta-pei	0/1	14/14
Ms. Lam Ka Lee	1/1	14/14
Independent non-executive Director		
Mr. Deng Jinping	0/1	14/14
Mr. Wong King Shiu, Daniel	0/1	14/14
Mr. Wong Yuk Lun, Alan *(Appointed on 6 July 2017)*	N/A	6/6
Mr. Ma Yiu Ho, Peter *(Resigned on 6 July 2017)*	0/1	7/7
Mr. Liao Xiujian *(Resigned on 20 September 2017)*	0/1	13/13

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. Wong Yuk Lun, Alan. 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 2017.

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 2017.

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.

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, which is available on the website of the Stock Exchange and the Company. 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. Wong King Shiu, Daniel, Mr. Ding Biyan and Mr. Wong Yuk Lun, Alan. Mr. Wong King Shiu, Daniel is the chairman of the remuneration committee.

In 2017, the remuneration committee held three meetings 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 2017 are set out as follows:

	Attendance/Number of meetings
Mr. Wong King Shiu, Daniel *(Appointed as Committee Chairman on 20 September 2017)*	N/A
Mr. Ding Biyan	3/3
Mr. Wong Yuk Lun, Alan *(Appointed as member on 6 July 2017)*	N/A
Mr. Ma Yiu Ho, Peter *(Resigned on 6 July 2017)*	2/2
Mr. Liao Xiujian *(Resigned on 20 September 2017)*	3/3

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, which is available on the website of the Stock Exchange and the Company. 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. Chan Chi Ching, Mr. Wong Yuk Lun, Alan and Mr. Wong King Shiu, Daniel. Mr. Deng Jinping is the chairman of the nomination committee.

In 2017, the nomination committee held two meetings 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 2017 are set out as follows:

	Attendance/Number of meetings
Mr. Deng Jinping *(Committee Chairman)*	2/2
Mr. Chan Chi Ching	2/2
Mr. Wong Yuk Lun, Alan *(Appointed as member on 6 July 2017)*	1/1
Mr. Wong King Shiu, Daniel *(Appointed as member on 20 September 2017)*	N/A
Mr. Liao Xiujian *(Resigned on 20 September 2017)*	1/1

AUDIT COMMITTEE

The Company established an audit committee (the "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 Corporate Governance Code, which is available on the website of the Stock Exchange and the Company. 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. Wong Yuk Lun, Alan, Mr. Deng Jinping and Mr. Wong King Shiu, Daniel. Mr. Wong Yuk Lun, Alan is the chairman of the Audit Committee.

The Audit Committee held two meetings during the year ended 31 December 2017 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 2017 are set out as follows:

	Attendance/Number of meetings
Mr. Wong Yuk Lun, Alan *(Appointed as Committee Chairman on 6 July 2017)*	1/1
Mr. Deng Jinping	2/2
Mr. Wong King Shiu, Daniel *(Appointed as member on 20 September 2017)*	N/A
Mr. Ma Yiu Ho, Peter *(Resigned on 6 July 2017)*	1/1
Mr. Liao Xiujian *(Resigned on 20 September 2017)*	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Company has an internal audit team which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board. The Board also ensures that the review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the year ended 31 December 2017, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee of the Company also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review in the year ended 31 December 2017 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.

(3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant counter-measures.

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 and non-audit services provided by the auditors is approximately RMB1.0 million and approximately RMB32,000, respectively.

INSIDE INFORMATION

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Company. Details of the corporate governance functions are as follows (including but not limited to):

- 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 2017 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, 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. Chan Chi Ching	✓	✓
Dr. Liu Ta-pei	✓	✓
Ms. Lam Ka Lee	✓	✓
Independent Non-Executive Directors		
Mr. Deng Jinping	✓	✓
Mr. Wong King Shiu, Daniel	✓	✓
Mr. Wong Yuk Lun, Alan *(Appointed on 6 July 2017)*	✓	✓
Mr. Ma Yiu Ho, Peter *(Resigned on 6 July 2017)*	✓	✓
Mr. Liao Xiujian *(Resigned on 20 September 2017)*	✓	✓

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

Ms. Lam Mei Wai Michelle, the company secretary of the Company, has undertaken over 15 hours of relevant professional training to update her skills and knowledge during the year ended 31 December 2017 and has complied with Rule 3.29 of the Listing Rules. The biographical details of Ms. Lam are set out under the section headed "Biographical Details of Directors and Senior Management".

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.

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: Unit 8A, 8/F, Aubin House, 171–172 Gloucester Road, Wan Chai, 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: Unit 8A, 8/F, Aubin House, 171–172 Gloucester Road, Wan Chai, 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 Unit 8A, 8/F, Aubin House, 171–172 Gloucester Road, Wan Chai, 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 2017.

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)

OPINION

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 40 to 110, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certificated Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair value of biological assets	
Refer to Note 4 and Note 20 to the consolidated financial statements.	
The Group's biological assets were carried at approximately RMB31,132,000 as at 31 December 2017 with a loss arising from change in fair value for the year ended 31 December 2017 recorded in the consolidated statement of profit or loss of approximately RMB5,644,000. The management of the Company engaged an independent valuer to assess the fair value of the biological assets as at 31 December 2017. The biological assets were significant to the Group. Management's assessment of the fair value of biological assets involve significant judgements and estimates. The most significant assumptions and valuation parameters used in the valuation include the estimated quantities, weight, age and the related market prices of biological assets applied.	Our procedure in relation to the fair value of biological assets included: • Evaluating of the independent external valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Discussing with the independent external valuer and challenging the reasonableness of key assumptions and valuation parameters used in the valuation based on our knowledge of the business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used. We found the fair value of the biological assets to be supported by the available evidence.
Impairment assessment of property, plant and equipment	
Refer to Note 4 and 15 to the consolidated financial statements.	
The Group currently operate slaughtering and trading pork products business in the People Republic of China. Due to the unfavourable business performance of the slaughtering and trading pork products business, the management of the Group considered property, plant and equipment amounted to RMB570,020,000, were identified with impairment indicator. The Group assess the recoverable amount of the property, plant and equipment by reference to a discounted cash flow projections prepared by management of the Group. Significant judgements were involved in the preparation of discounted cash flow projections, including assumption of budgeted sales, budged gross margin and discounted rate.	Our procedure in relation to the management's impairment assessment of property, plant and equipment included: • evaluating the Group's policies and procedure to identify impairment indicators; • assessing the appropriateness of the methodology, key assumptions and estimates used in management's discount cash flow projections, based on our knowledge of the relevant industry and using our valuation experts; • challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and • checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the assumption made by management for impairment assessment were supported by the available information.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Ng Ka Wah.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practicing Certificate Number: P06417

Hong Kong, 16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	6	**673,987**	1,154,016
Cost of sales		**(645,985)**	(1,044,712)
Gross profit		**28,002**	109,304
Other income	6	**1,848**	4,016
Gain arising from change in fair value of investment properties	17	**13**	–
(Loss)/gain arising from change in fair value less costs to sell of biological assets	20	**(5,644)**	16,259
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss		**(7,139)**	18,181
Gain arising on disposal of financial assets at fair value through profit or loss		**40,249**	9,528
Selling and distribution expenses		**(11,194)**	(21,366)
Administrative expenses		**(35,422)**	(54,558)
Finance costs	8	**(8,640)**	(9,361)
Profit before taxation		**2,073**	72,003
Taxation	9	**(3,042)**	(2,684)
(Loss)/profit for the year	10	**(969)**	69,319
Other comprehensive (loss)/income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,260)**	799
Other comprehensive (loss)/income for the year, net of income tax		**(1,260)**	799
Total comprehensive (loss)/income for the year		**(2,229)**	70,118
(Loss)/profit for the year attributable to:			
Owners of the Company		**(275)**	70,701
Non-controlling interests		**(694)**	(1,382)
		(969)	69,319
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(1,535)**	71,500
Non-controlling interests		**(694)**	(1,382)
		(2,229)	70,118
(Loss)/earning per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	**(0.03)**	13.27

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	15	**650,314**	702,850
Prepaid lease payments	16	**32,614**	33,610
Biological assets	20	**23,823**	34,791
Deposits and prepayments for property, plant and equipment	23	**32,247**	32,247
Investment properties	17	**14,158**	–
Available-for-sale investments	18	**1,500**	1,500
		754,656	804,998
Current assets			
Financial assets at fair value through profit or loss	19	**71,385**	25,855
Biological assets	20	**7,309**	68,592
Inventories	21	**19,171**	8,706
Prepaid lease payments	16	**941**	886
Trade receivables	22	**131,898**	42,679
Prepayments, deposits and other receivables	23	**2,071**	35,404
Tax recoverable		**11**	–
Bank balances and cash	24	**349,780**	256,232
		582,566	438,354
Current liabilities			
Trade payables	25	**82,379**	11,043
Accruals and other payables	26	**16,899**	34,775
Borrowings	27	**63,313**	156,493
Deferred revenue	29	**25**	525
Tax payable		**5,534**	2,809
		168,150	205,645
Net current assets		**414,416**	232,709
Total assets less current liabilities		**1,169,072**	1,037,707

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred revenue	29	328	353
		328	353
Net assets		1,168,744	1,037,354
Equity			
Share capital	30	7,200	4,632
Reserves		1,158,065	1,028,549
Equity attributable to owners of the Company		1,165,265	1,033,181
Non-controlling interests		3,479	4,173
Total equity		1,168,744	1,037,354

Approved by the Board of Directors on 16 March 2018 and signed on its behalf by:

Chan Chi Ching
Executive Director

Lam Ka Lee
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 2017

	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))*	Share option reserve RMB'000	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 2016	3,801	262,883	4,028	38,678	17,091	–	584,466	911,127	5,555	916,682
Profit/(loss) for the year	–	–	–	–	–	–	70,701	70,701	(1,382)	69,319
Other comprehensive income for the year	–	–	799	–	–	–	–	799	–	799
Total comprehensive (loss)/income for the year	–	–	799	–	–	–	70,701	71,500	(1,382)	70,118
Transfer to statutory reserve	–	–	–	3,266	–	–	(3,266)	–	–	–
Issue of shares under placing *(note 30(a))*	831	57,372	–	–	–	–	–	58,203	–	58,203
Shares issue expenses	–	(1,455)	–	–	–	–	–	(1,455)	–	(1,455)
Dividends *(note 13)*	–	–	–	–	–	–	(6,194)	(6,194)	–	(6,194)
As at 31 December 2016 And 1 January 2017	**4,632**	**318,800**	**5,007**	**41,944**	**17,091**	**–**	**645,707**	**1,033,181**	**4,173**	**1,037,354**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(275)**	**(275)**	**(694)**	**(969)**
Other comprehensive loss for the year	**–**	**–**	**(1,260)**	**–**	**–**	**–**	**–**	**(1,260)**	**–**	**(1,260)**
Total comprehensive loss for the year	**–**	**–**	**(1,260)**	**–**	**–**	**–**	**(275)**	**(1,535)**	**(694)**	**(2,229)**
Transfer to statutory reserve	**–**	**–**	**–**	**1,289**	**–**	**–**	**(1,289)**	**–**	**–**	**–**
Issue of shares under rights issue *(note 30(b))*	**2,568**	**125,819**	**–**	**–**	**–**	**–**	**–**	**128,387**	**–**	**128,387**
Shares issue expenses	**–**	**(2,386)**	**–**	**–**	**–**	**–**	**–**	**(2,386)**	**–**	**(2,386)**
Recognition of equity-settled share-based payment expenses *(note 31)*	**–**	**–**	**–**	**–**	**–**	**7,618**	**–**	**7,618**	**–**	**7,618**
As at 31 December 2017	**7,200**	**442,233**	**3,747**	**43,233**	**17,091**	**7,618**	**644,143**	**1,165,265**	**3,479**	**1,168,744**

Notes:

(a) Capital redemption reserve represents the nominal value of the Shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of Shares by the Company.

(b) Capital reserve represents the difference between the nominal value of the shares of the subsidiaries that have been acquired and capitalised pursuant to a group reorganisation over the nominal value of the Company's Shares issued in exchange therefore.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		2,073	72,003
Adjustments for:			
Interest income	6	(1,068)	(942)
Finance costs	8	8,640	9,361
Depreciation of property, plant and equipment	10	41,804	36,228
Written-off of property, plant and equipment	10	12,049	18,765
Amortisation of prepaid lease payments	10	941	880
Net foreign exchange loss	10	1	7,025
Expense recognised in respect of equity-settled share-based payment	10	7,618	–
Loss from selling of non-current biological assets	10	2,025	3,224
Gain arising from change in fair value of investment properties		(13)	–
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss		7,139	(18,181)
Gain on disposal of financial assets at fair value through profit or loss		(40,249)	(9,528)
Loss/(gain) arising from change in fair values less costs to sell of biological assets		5,644	(16,259)
Operating cash flows before movements in working capital		46,604	102,576
Decrease in biological assets		60,971	81,764
(Increase)/decrease in financial assets at fair value through profit or loss		(12,420)	3,148
(Increase)/decrease in inventories		(10,465)	4,613
(Increase)/decrease in trade receivables		(89,219)	141,168
Decrease/(increase) in prepayments, deposits and other receivables		33,335	(18,005)
Increase/(decrease) in trade payables		71,336	(129,064)
(Decrease)/increase in accruals and other payables		(18,377)	2,318
Net cash generated from operating activities		81,765	188,518
Investing activities			
Interest received		1,043	917
Purchase of property, plant and equipment		(1,336)	(117,313)
Addition of non-current biological assets		(34,807)	(125,949)
Proceeds on disposals of non-current biological assets		38,418	8,489
Acquisition of assets	40	(14,327)	–
Purchase of prepaid lease payments		–	(176)
Deposits and prepayments for property, plant and equipment		–	(1,781)
Net cash used in investing activities		(11,009)	(235,813)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Financing activities			
Interest paid		(8,640)	(9,177)
Dividend paid		–	(6,194)
Proceeds from borrowings		69,975	272,484
Repayments of borrowings		(163,155)	(192,722)
Repayments of notes payable		–	(60,000)
Shares issue expenses		(2,386)	(1,455)
Proceeds from issue of ordinary shares		128,387	–
Proceeds from issue of shares under right issue		–	58,203
Net cash generated from financing activities		24,181	61,139
Net increase in cash and cash equivalents		94,937	13,844
Cash and cash equivalents at beginning of the year		256,232	249,783
Effect of foreign exchange rate changes		(1,389)	(7,395)
Cash and cash equivalents at the end of the year		349,780	256,232

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 Unit 8A, 8/F., Aubin House, 171–172 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in hog breeding, hog slaughtering and sale of pork products in the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of the Company is Hong Kong dollars ("HK$"). The directors considered that it is more appropriate to present the consolidated financial statements in RMB as the functional currency of the most principal operating subsidiaries of the Group is RMB. The consolidated financial statements are presented in thousands ("RMB'000"), unless otherwise stated.

2. 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 ("HKASs") 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 2017. A summary of the new and revised HKFRSs are set out below:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs 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 these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

Amendments to HKAS 7 *Disclosure Initiative* (Continued)

A reconciliation between the opening and closing balances of these items is provided in notes to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in notes to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Except as described above, the application of the amendments to HKFRSs 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 these consolidated financial statements.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatment[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.
4 Effective for annual periods beginning on or after 1 January 2021.

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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 nor contingent consideration recognised by an acquirer in a business combination) 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 a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. 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 is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 *Financial Instruments* (Continued)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'.

(a) Classification and measurement

The Group's available-for-sale investments that are not held for trading and are currently stated at cost less impairment, The Group will make an irrevocable election to present in other comprehensive income the changes in fair value.

For other financial assets and financial liabilities, the directors of the Company expect to continue recognise initially at fair value for other financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade, bills and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9. Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 will not have other material impact on amounts reported in the Group's consolidated financial statements.

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

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In April 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors intend to use the full retrospective method of transition to HKFRS 15.

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of HKFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the leases liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB894,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related leases liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangment, and in cases where the Group is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of HKFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual 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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments, which is measured at fair value, 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.

The principal accounting policies are set out below:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

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' meeting.

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 year 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 into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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 specified/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.

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 HKFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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.

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 in the consolidated statement of profit or loss and other comprehensive income. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fair value through profit or loss ("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.

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 period in which they are incurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Exchange differences on monetary items are recognised in profit or loss in the reporting period in which they arise except for:

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

- Exchange differences on 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 exchange 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 reattributed 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.

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 revenue 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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 statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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 statement of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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, fixture and equipment	19%–31.67%

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

Investment property

Investment properties are proprieties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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 realizable 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid lease payments

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

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, 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. The accounting policies adopted in respect of each category of financial assets are set out below.

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 other than those financial assets classified as at FVTPL.

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.

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "fair value changes on financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 5(c) to the consolidated financial statements.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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 joint 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions (Continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (other than goodwill) (Continued)

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

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

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.

(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 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.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)		
— Trade receivables	**131,898**	42,679
— Other receivables	**1,497**	17,268
— Bank balances and cash	**349,780**	256,232
	483,175	316,179
Financial assets at FVTPL	**71,385**	25,855
Available-for-sale investments	**1,500**	1,500
	556,060	343,534
Financial liabilities		
Amortised cost		
— Trade payables	**82,379**	11,043
— Accruals and other payables	**16,899**	24,698
— Borrowings	**63,313**	156,493
	162,591	192,234

(b) Financial risk management

The directors of the Group 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, interest rate risk and other price risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, financial assets at FVTPL, available-for-sale investment, trade payables, accruals and other payables, and borrowings. 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.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Currency risk

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

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

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.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities during the reporting period. The management manages this exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of reporting period.

If market prices of equity investments have been 5% (2016: 5%) higher/lower, (loss)/profit after tax for the year ended 31 December 2017 would decrease/increase by approximately RMB2,866,000 (2016: RMB476,000).

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.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

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.

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.

5. 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 2017					
Non-derivative financial liabilities					
Trade payables	**–**	**82,379**	**–**	**82,379**	**82,379**
Accruals and other payables	**–**	**16,899**	**–**	**16,899**	**16,899**
Borrowings	**12.61**	**68,334**	**–**	**68,334**	**63,313**
		167,612	**–**	**167,612**	**162,591**

	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 2016					
Non-derivative financial liabilities					
Trade payables	–	11,043	–	11,043	11,043
Accruals and other payables	–	24,540	–	24,540	24,540
Borrowings	4.68	161,034	–	161,034	156,493
		196,617	–	196,617	192,076

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

Fair value hierarchy

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 measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

The table below analyses the fair value of the Group's assets that are measured at fair value on a recurring basis. The different levels are defined as follows:

- 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).

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL	**61,316**	**10,069**	–	**71,385**

Type	Fair value hierarchy	Valuation technique and key input
Financial assets		
Listed equity securities in HK	Level 1	Quoted bid prices in an active market
Convertible bond	Level 2	Binormal Model The closing stock price applied is HK$0.490 The volatility applied is 102.14% The risk-free rate applied is 1.235% The dividend yield applied is 0%

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value hierarchy (Continued)

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL	25,855	–	–	25,855

Type	Fair value hierarchy	Valuation technique and key input
Financial assets Listed equity securities in HK	Level 1	Quoted bid prices in an active market

6. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income for the years ended 31 December 2017 and 2016 as follows:

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of pork products	**669,250**	1,145,444
Others *(note)*	**4,737**	8,572
	673,987	1,154,016

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

6. REVENUE AND OTHER INCOME (Continued)

	2017 RMB'000	2016 RMB'000
Other income		
Interest income on:		
Financial assets at fair value through profit or loss	**146**	–
Bank deposits	**897**	917
Amortisation of deferred revenue	**25**	25
Total interest income	**1,068**	942
Government grants *(note)*	**618**	2,989
Sundry income	**162**	85
	1,848	4,016

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.

7. 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 gain/loss 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:

	2017 RMB'000	2016 RMB'000
Segment profit before taxation reported to the CODMs	**7,717**	55,744
Add:		
(Loss)/gain arising from changes in fair value less costs to sell of biological assets *(note)*	**(5,644)**	16,259
Profit before taxation reported in the consolidated financial statements	**2,073**	72,003

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

7. SEGMENT INFORMATION (Continued)

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

	2017 RMB'000	2016 RMB'000
Segment assets reported to the CODMs	**1,174,388**	1,021,095
Add:		
(Loss)/gain arising from changes in fair value less costs to sell of biological assets *(note)*	**(5,644)**	16,259
Net assets reported in the consolidated financial statements	**1,168,744**	1,037,354

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.

Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the years ended 31 December 2017 and 2016 is as follows:

	2017 RMB'000	2016 RMB'000
Hunan Province	**527,142**	899,119
Guangdong Province	**28,406**	191,734
Beijing City	**–**	1,394
Zhejiang Province	**79,821**	5,444
Others	**38,618**	56,325
	673,987	1,154,016

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 78% of the total revenue during the year ended 31 December 2017 (2016: 78%).

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2017 (2016: nil).

8. FINANCE COSTS

	2017 **RMB'000**	2016 RMB'000
Interest on:		
— Borrowings wholly repayable within five years	**8,640**	8,896
— Notes payable *(note 28)*	**–**	465
	8,640	9,361

9. TAXATION

	2017 **RMB'000**	2016 RMB'000
Current Tax		
— Hong Kong Profits Tax	**3,042**	2,684

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2016 and 2017.

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) (享受企業所得税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 (國家税務總局) on 20 November 2008. Hunan Huisheng Meat Products Company Limited ("Hunan Huisheng") (湖南惠生肉業有限公司) 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 years ended 31 December 2016 and 2017.

9. TAXATION (Continued)

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:

	2017 RMB'000	2016 RMB'000
Profit before taxation	**2,073**	72,003
Tax at the applicable income tax rate	**24**	16,718
Tax exemption for subsidiary operating in the PRC	**(4,873)**	(15,672)
Tax effect of income not taxable for tax purpose	**(54)**	–
Tax effect of expenses not deductible for tax purpose	**2,082**	363
Tax effect of tax loss not recognised	**5,863**	1,275
Income tax expenses	**3,042**	2,684

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.

10. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2017 **RMB'000**	2016 RMB'000
Directors' emoluments: *(note 11)*		
Directors' fee	**309**	813
Salaries, allowances and benefits in kind	**1,091**	903
Retirement schemes, contributions	**48**	80
Equity-settled share-based payment	**952**	–
	2,400	1,796
Other staff costs:		
Salaries and other benefits	**14,824**	22,399
Retirement schemes contributions	**3,369**	3,885
Equity-settled share-based payment	**6,666**	–
Total staff costs	**27,259**	28,080
Auditors' Remuneration		
— Audit service	**1,000**	1,000
— Non-audit service	**32**	—
Depreciation of property, plant and equipment	**41,804**	36,228
Written-off of property, plant and equipment	**12,049**	18,765
Amortisation of prepaid lease payments	**941**	880
Net foreign exchange loss	**1**	7,025
Loss from selling of non-current biological assets	**2,025**	3,224
Cost of inventories recognised as expenses *(note)*	**586,112**	974,244
Operating lease rental expenses in respect of rented premises	**715**	484

Note: The amount includes the service fee of approximately RMB3,798,000 paid to fattening farms during the year ended 31 December 2017 (2016: RMB7,353,000).

11. 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:

	2017 RMB'000	2016 RMB'000
Directors' fees	309	813
Other emoluments:		
Salaries, allowances and benefits in kind	1,091	903
Retirement schemes contributions	48	80
Equity-settled share-based payment	952	–
	2,091	983
	2,400	1,796

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	Retirement schemes contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
2017					
Executive directors:					
Mr. Ding Biyan	156	–	–	–	156
Mr. Chan Chi Ching *(note a)*	–	312	16	952	1,280
Dr. Liu Ta-pei *(note b)*	–	312	16	–	328
Ms. Lam Ka Lee *(note b)*	–	312	16	–	328
Independent non-executive directors:					
Mr. Ma Yiu Ho, Peter *(note f)*	67	–	–	–	67
Mr. Deng Jinping	50	–	–	–	50
Mr. Liao Xiujian *(note e)*	36	–	–	–	36
Mr. Wong King Shiu, Daniel *(note a)*	–	104	–	–	104
Mr. Wong Yuk Lun, Alan *(note f)*	–	51	–	–	51
	309	1,091	48	952	2,400

11. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement schemes contributions RMB'000	Total RMB'000
2016				
Executive directors:				
Mr. Ding Biyan	154	144	16	314
Mr. Yu Jishi *(note d)*	138	113	14	265
Mr. Ding Jingxi *(note d)*	138	73	13	224
Mr. Zhou Shigang *(note c)*	71	64	12	147
Mr. Chan Chi Ching *(note a)*	–	175	9	184
Dr. Liu Ta-pei *(note b)*	–	167	8	175
Ms. Lam Ka Lee *(note b)*	–	167	8	175
Non-executive director:				
Mr. Zhang Zhizhong *(note c)*	28	–	–	28
Independent non-executive directors:				
Mr. Ma Yiu Ho, Peter	128	–	–	128
Mr. Deng Jinping	49	–	–	49
Mr. Liao Xiujian	49	–	–	49
Mr. Wong King Shiu, Daniel *(note a)*	58	–	–	58
	813	903	80	1,796

Notes:

(a) Mr. Chan Chi Ching was appointed as the director of the Company and Mr. Wong King Shiu, Daniel was appointed as the independent non-executive director of the Company on 7 June 2016.

(b) Dr. Liu Ta-pei and Ms. Lam Ka Lee were appointed as the directors of the Company on 16 June 2016.

(c) Mr. Zhou Shigang was resigned as the director of the Company and Mr. Zhang Zhizhong was resigned as non-executive director of the Company on 16 June 2016.

(d) Mr. Yu Jishi and Mr. Ding Jingxi were resigned as the directors of the Company on 24 November 2016.

(e) Mr. Liao Xiujian was resigned as the independent non-executive director of the Company on 20 September 2017.

(f) Mr. Ma Yiu Ho, Peter was resigned as the independent non-executive director and Mr. Wong Luk Lun, Alan was appointed as the independent non-executive director on 6 July 2017.

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 was mainly for their services as directors of the Company.

11. DIRECTORS' EMOLUMENTS (Continued)

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 2016 and 2017 respectively. None of the directors agreed to waive or waived any emoluments during the year (2016: Nil).

12. EMPLOYEES EMOLUMENTS

The five highest paid individuals during the year included one executive director (2016: two). Details of whose emoluments are set out above in note 12. The detail of the emoluments of the remaining four (2016: three) highest paid individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other allowances	583	912
Discretionary bonus	–	–
Retirement schemes contributions	29	42
Equity-settled share-based payment	4,761	–
	5,373	954

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

	2017	2016
Nil to RMB876,000 (equivalents to HK$1,000,000)	–	3
RMB876,001 to RMB1,300,000 (equivalents to HK$1,000,001 to HK$1,500,000)	4	–
	4	3

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

	2017	2016
Nil to RMB876,000 (equivalents to HK$1,000,000)	2	3
RMB876,000 to RMB1,300,000 (equivalents to HK$1,000,001 to HK$1,500,000)	1	–
	3	3

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.

13. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Final dividends paid	–	6,194

The Board does not recommend the payment of final dividend for the years ended 31 December 2017 and 2016.

During the year ended 31 December 2016, the Company paid HK$0.015 per share or approximately HK$7,237,000 in aggregate as final dividend for the year ended 31 December 2015.

14. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2017 RMB'000	2016 RMB'000
(Loss)/earning		
(Loss)/earning attributable to owners of the Company for the purpose of calculating basic (loss)/earning per share	**(275)**	70,701

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earning per share	**861,183**	532,897

The calculation of basic (loss)/earning per share is based on the loss attributable to owners of the Company for the year of approximately RMB275,000 (2016: profit of approximately RMB70,701,000) and the weighted average number of 861,183,000 (2016: 532,897,000) ordinary shares in issue during the year ended 31 December 2017.

For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of calculating basic earning per share has been taken into account of the effect of rights issue which were issued subsequent to the end of the reporting period.

The dilutive (loss)/earning per share is the same as the basic (loss)/earning per share as there was no potential dilutive ordinary shares in issue during both years.

15. 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 2016	264,698	154,683	816	8,726	260,448	689,371
Additions	–	16	–	66	117,231	117,313
Written off	(27,854)	(7,264)	–	(1,374)	–	(36,492)
Transfer	361,542	12,637	–	1,145	(375,324)	–
As at 31 December 2016 and at 1 January 2017	598,386	160,072	816	8,563	2,355	770,192
Additions	51	691	–	594	–	1,336
Written off	(15,165)	(505)	(811)	(17)	–	(16,498)
Exchange realignment	–	–	–	(22)	–	(22)
As at 31 December 2017	583,272	160,258	5	9,118	2,355	755,008
Accumulated depreciation						
As at 1 January 2016	23,273	22,306	721	2,541	–	48,841
Provided for the year	19,465	15,245	12	1,506	–	36,228
Written off	(10,577)	(5,838)	–	(1,312)	–	(17,727)
As at 31 December 2016 and at 1 January 2017	32,161	31,713	733	2,735	–	67,342
Provided for the year	25,299	14,859	–	1,646	–	41,804
Written off	(2,448)	(1,272)	(728)	(1)	–	(4,449)
Exchange realignment	–	–	–	(3)	–	(3)
As at 31 December 2017	55,012	45,300	5	4,377	–	104,694
Net book values						
As at 31 December 2017	**528,260**	**114,958**	**–**	**4,741**	**2,355**	**650,314**
As at 31 December 2016	566,225	128,359	83	5,828	2,355	702,850

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 36.

16. PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Cost		
At the beginning of the year	38,669	38,493
Additions	–	176
At the end of the year	38,669	38,669
Accumulated amortisation		
At the beginning of the year	4,173	3,293
Additions	941	880
At the end of the year	5,114	4,173
Net book values	33,555	34,496

Analysed for reporting purposes as:

	2017 RMB'000	2016 RMB'000
Non-current assets	32,614	33,610
Current assets	941	886
	33,555	34,496

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

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

17. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Fair value		
At the beginning of the year	–	–
Acquisition of assets *(note 40)*	14,315	–
Gain arising from change in fair value of investment properties	13	–
Exchange realignment	(170)	–
At the end of the year	14,158	–

The Groups' properties interest held under operating leases to earn rental income or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties shown above comprises:

	2017 RMB'000	2016 RMB'000
In Hong Kong		
— medium-term leases	14,158	–

The fair value of the Group's investment properties as at 31 December 2017 at RMB14,158,000 has been arrived at on the basis of a valuation carried out on the date by Valor Appraisal & Advisory Limited for Hong Kong properties, independent qualified professional valuer not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value was determined based on market basis on the vacant possession and the direct comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar sizes, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; and (ii) holds discussion with the independent valuer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurements are categorised into level 2	
	2017 RMB'000	2016 RMB'000
Recurring fair value measurement for:		
— Office units located in Hong Kong	14,158	–

There was no transfers of fair value measurements between Level 1 and Level 3 and no transfer into or out of Level 3.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
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% (2016: 94.2%) is held by 12 shareholders, who also manage the day-to-day operations of Changde Jiuding.

* For identification purpose only

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB'000	2016 RMB'000
Held-for-trading investments:		
Equity securities listed in Hong Kong *(Note (a))*	**61,316**	25,855
Derivative financial assets:		
Convertible bond *(Note (b))*	**10,069**	–
	71,385	25,855

Notes:

(a) At 31 December 2017, the fair value of the listed equity securities, amounting to approximately RMB61,316,000 (2016: RMB25,855,000), was determined based on the quoted market bid prices available on the Stock Exchange.

(b) On 31 July 2017, the Company subscribed convertible bonds ("CBs") issued by Larry Jewelry International Company Limited (the "Larry Jewelry") in an aggregate principal amount of HK$9,000,000 at a coupon rate of 7.5% per annum, payable quarterly in arrears, and with maturity period of two years. The CBs are denominated in HK$. The CBs entitle the bondholders to convert them into shares of Larry Jewelry at any time following the relevant date of issue until the maturity date, at a conversion price per share HK$0.25, subject to anti-dilutive clauses.

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:

	2017 **RMB'000**	2016 RMB'000
Breeder hogs	**5,543**	6,412
Porkers	**18,791**	60,161
	24,334	66,573

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.

(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.

20. BIOLOGICAL ASSETS (Continued)

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	**Porkers** RMB'000	**Total** RMB'000
As at 1 January 2016	28,743	25,909	54,652
Increase due to purchases	26,892	63,967	90,859
Increase due to raising (Feeding cost and others)	46,942	84,796	131,738
Transfer	1,593	(1,593)	–
Decrease due to retirement and deaths	(6,059)	(1,238)	(7,297)
Decrease due to sales	(47,774)	(135,054)	(182,828)
(Loss)/gains arising from change in fair value less costs to sell	(15,546)	31,805	16,259
As at 31 December 2016 and 1 January 2017	34,791	68,592	103,383
Increase due to purchases	82	–	82
Increase due to raising (Feeding cost and others)	34,725	39,635	74,360
Transfer	1,337	(1,337)	–
Decrease due to retirement and deaths	(9,778)	(6,212)	(15,990)
Decrease due to sales	(40,443)	(84,616)	(125,059)
Gain/(losses) arising from change in fair value less costs to sell	3,109	(8,753)	(5,644)
As at 31 December 2017	**23,823**	**7,309**	**31,132**

Analysed for reporting purposes as:

	2017 **RMB'000**	2016 RMB'000
Non-current portion-breeder hogs	**23,823**	34,791
Current portion-porkers	**7,309**	68,592
At the end of the year	**31,132**	103,383

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.

The qualification of the Valuer

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

20. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets (Continued)

The qualification of the Valuer (Continued)

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

Based on the above qualification and various experiences of the Valuer and/or its members in providing biological asset valuation services to various companies listed on the Stock Exchange and other stock exchanges in the United States, which engage in the business of husbandry and agriculture industry, the directors 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.

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

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

20. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets (Continued)

Fair value hierarchy

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

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

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Beerder hogs	–	23,823	–	23,823
Porkers	–	7,309	–	7,309
Total biological assets	–	31,132	–	31,132

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Beerder hogs	–	34,791	–	34,791
Porkers	–	68,592	–	68,592
Total biological assets	–	103,383	–	103,383

There were 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 observable 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): RMB15.00 (2016: RMB18.00). 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): RMB31.00 (2016: RMB48.00). Market prices of piglets/weaners represent the prices of hogs that are less than 60 days old weighing about 20 kg in Hunan Province. The market prices of piglets/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 (2016:RMB5,761). 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 (2016: RMB2,427). 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 observable 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 RMB3,113,000 (2016: decrease/increase by approximately RMB103,400,000).

21. INVENTORIES

	2017 RMB'000	2016 RMB'000
Chilled and frozen park products	**18,969**	7,712
Hog feed and other consumables	**202**	994
	19,171	8,706

22. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**131,898**	42,679

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:

	2017 RMB'000	2016 RMB'000
Within 30 days	**102,150**	21,084
31 days to 60 days	**29,398**	15,433
61 days to 80 days	**–**	–
Over 81 days	**350**	6,162
Total	**131,898**	42,679

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 reviews 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.

22. TRADE RECEIVABLES (Continued)

Trade receivables that were past due are not consider impaired. The ageing analysis of these trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
Less than 30 days past due	**350**	6,162

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

	2017 RMB'000	2016 RMB'000
Deposits and prepayments for property, plant and equipment *(note (a))*	**32,247**	32,247
Other prepayments, deposits and other receivables *(note (b))*	**2,071**	35,404
	34,318	67,651

Analysed for reporting purposes as:

	2017 RMB'000	2016 RMB'000
Non-current assets	**32,247**	32,247
Current assets	**2,071**	35,404
	34,318	67,651

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The deposits and prepayments for property, plant and equipment as at 31 December 2016 and 2017 were mainly for the purchase of equipment of production facilities in the Group's slaughter house and breeding farms.

(b) As at 31 December 2016, there was amounts due from an independent third party approximately RMB2,463,000 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:

	2017	2016
	RMB'000	RMB'000
Bank balances and cash	**349,780**	256,232

As at 31 December 2017, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB349,043,000 (2016: RMB254,030,000). 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 0.01% to 0.35% per annum as at 31 December 2017 (2016: 0.35% to 1.00% per annum).

Non-cash transactions:

During the year ended 31 December 2016, 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 RMB320,000 had been paid in previous year and accounted in deposits and prepayment for property, plant and equipment.

Reconciliation of liabilities arising from financing activities

	Borrowings	**Total**
	RMB'000	RMB'000
As at 1 January 2017	156,493	156,493
Cash flows	(101,820)	(101,820)
Interest expense	8,640	8,640
Net debt as at 31 December 2017	63,313	63,313

25. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**82,379**	11,043

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:

	2017 RMB'000	2016 RMB'000
Within 30 days	**82,379**	11,043

26. ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Other payables for property, plant and equipment	**100**	11,010
Accruals and other payables *(note (b))*	**16,799**	23,765
	16,899	34,775

Notes:

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

(b) As at 31 December 2017, none of the accruals and other payables due to related parties. As at 31 December 2016, there were amounts due to related parties of approximately RMB3,464,000 included in accruals and other payables of the Group. The amounts due to related parties were unsecured, interest-free and repayable on demand.

27. BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured:		
Bank borrowings *(note 1)*	**–**	42,000
Unsecured:		
Bank borrowings *(note 2)*	**30,000**	–
Other borrowings	**33,313**	114,493
	63,313	156,493

Notes:

(1) The bank borrowings as at 31 December 2016 were secured by the Group's assets.

(2) The bank borrowings as at 31 December 2017 were guaranteed by an independent third party.

27. BORROWINGS (Continued)

	2017 RMB'000	2016 RMB'000
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	**63,313**	156,493

The carrying amount of the Group's borrowings are all originally denominated in RMB and HK$. Details of pledged assets are set out in note 36.

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

	2017 %	2016 %
Fixed rate borrowings	**4.00–14.00**	4.35–14.00

28. 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. During the year ended 31 December 2016, all the notes payable was repaid.

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

* For identification purpose only

28. NOTES PAYABLE (Continued)

For detailed of the collective notes, please refer to the paragraph headed "Notes payable" in the section headed "Financial information" in the prospectus of the Company dated 17 February 2014 ("the Prospectus").

	2017	2016
	RMB'000	RMB'000
At the beginning of the year	–	59,816
Interest charged at effective interest rate of 10.6% per annum *(note 8)*	–	465
Interest payable	–	(281)
Repayment	–	(60,000)
At the end of the year	–	–

29. DEFERRED REVENUE

	2017	2016
	RMB'000	RMB'000
Arising from government grant *(note (a))*	**353**	378
Arising from government loan *(note (b))*	–	500
	353	878

Analysed for reporting purposes as:

	2017	2016
	RMB'000	RMB'000
Non-current liabilities	**328**	353
Current liabilities	**25**	525
	353	878

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.

30. 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 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balances as at 1 January 2016	482,484,000	4,825	3,801
Issue of shares under placing *(note (a))*	96,496,000	965	831
Balances as at 31 January 2016 and 1 January 2017	578,980,000	5,790	4,632
Issue of shares under rights issue *(note (b))*	289,490,000	2,895	2,568
Balances as at 31 December 2017	**868,470,000**	**8,685**	**7,200**

Notes:

(a) On 21 June 2016, the Company, by way of a top-up placing, placed a total of 96,496,000 placing shares to not less than six Placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of, and not connected with, the Company, any Director(s), chief executive(s) or substantial Shareholder(s) of the Company or any of its subsidiaries or their respective associates at the Placing Price of HK$0.70 per Placing Share. None of the Placees has become a substantial Shareholder (as defined under the Listing Rules) immediately after completion. The net proceeds of approximately HK$65,800,000 were received by the Company. Please refer to the announcements of the Company dated 21 June 2016 and 7 July 2016 for further details.

(b) On 15 December 2016, the Company announced to raise approximately HK$144.75 million, before expenses, by way of rights issue (the "Rights Issue") of 289,490,000 rights shares to the qualifying shareholders at a subscription price of HK$0.50 per rights share on the basis of one rights share for every two existing shares held on the record date. The Rights Issue was completed on 2 February 2017. Please refer to the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus dated 9 January 2017 for information regarding the Rights Issue.

31. 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.

On 10 April 2017, the Company granted a total of 40,000,000 Options with the rights to subscribe 40,000,000 ordinary Shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. A total of 5,000,000 Options were granted to a Director.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2017 was 40,000,000 shares which represented approximately 6.9% of the issued share capital of the Company. No option had been granted or agreed to be granted during the reporting period.

As at the date of this report, none of the share options were exercised, lapsed or cancelled.

31. SHARE OPTION SCHEME (Continued)

Details of such interests and movement of Options granted by the Company are shown below:

	Number of share option						
Name of category of participants	**At 1 January 2016 and 31 December 2016 and 1 January 2017**	**Grant during the year**	**At 31 December 2017**	**Date of grant of share options** (dd/mm/yyyy)	**Exercise period of Share option** (dd/mm/yyyy)	**Exercise price of share option**	**Price of Company's share at grant date of share options**
Directors							
Chan Chi Ching	–	5,000,000	5,000,000	10/04/2017	10/04/2017 to 9/04/2027	HK$0.51	HK$0.51
Other Eligible participants							
Employees and Consultants	–	35,000,000	35,000,000	10/04/2017	10/04/2017 to 9/04/2027	HK$0.51	HK$0.51
	–	40,000,000	40,000,000				
Weighted average exercise price (HK$)	–	0.51	0.51				

The fair value of the share option granted during the year ended 31 December 2017 was approximately RMB7,618,000 (equivalent to approximately HKD8,566,000), of which the recognised share option expenses of RMB7,618,000 during the year ended 31 December 2017.

Options that were granted during the year ended 31 December 2017 have a term of ten years commencing from 10 April 2017 and shall become exercisable from the date of acceptance of the option.

The fair value of the share options is determined using the Binominal Model. The Binominal Model taking into account the terms and conditions upon which the options were granted. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The fair value of the options determined at the grant date was approximately HK$8,566,000, approximately HK$0.21 each option.

Inputs into the model

	2017
Dividend yield (%)	**0.88**
Expected volatility (%)	**42.06**
Historical volatility (%)	**42.06**
Risk free interest rate (%)	**1.46**
Expected life of options (year)	**2.2**
Stock price (HK$ per share)	**0.51**

At the end of reporting period, the Company had 40,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would under the present capital structure of the Company, result in the issue of 40,000,000 additional ordinary shares of the Company and additional share capital of HK$400,000.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 RMB'000	2016 RMB'000
Non-current asset			
Investment in subsidiaries		**14,158**	–
Current assets			
Financial assets at fair value through profit or loss		**71,385**	25,855
Prepayments		**210**	16
Amounts due from subsidiaries		**389,550**	417,936
Bank balances and cash		**598**	1,126
		461,743	444,933
Current liabilities			
Accruals and other payables		**2,854**	3,550
Amounts due to a subsidiaries		**1,011**	1,088
Borrowings		**33,313**	114,493
Tax payable		**5,534**	2,809
		42,712	121,940
Net current assets		**419,031**	322,993
Total assets less current liabilities		**433,189**	322,993
Net assets		**433,189**	322,993
Equity			
Share capital	30	**7,200**	4,632
Reserves	33	**425,989**	318,361
Total equity		**433,189**	322,993

The financial statement was approved and authorised for issue by the board of directors of the Company on 16 March 2018 and are signed on its behalf by:

Chan Chi Ching
Executive Director

Lam Ka Lee
Executive Director

33. RESERVES OF THE COMPANY

	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2016	262,883	–	12,981	(39,573)	236,291
Profit and total comprehensive income for the year	–	–	19,289	13,058	32,347
Issue of shares under placing *(note 30(a))*	57,372	–	–	–	57,372
Share issue expenses	(1,455)	–	–	–	(1,455)
Dividends *(note 13)*	–	–	–	(6,194)	(6,194)
As at 31 December 2016 and 1 January 2017	318,800	–	32,270	(32,709)	318,361
(Loss)/profit and total comprehensive loss for the year	–	–	(31,173)	7,750	(23,423)
Issue of shares under rights issue *(note 30(b))*	125,819	–	–	–	125,819
Share issue expenses	(2,386)	–	–	–	(2,386)
Recognition of equity-settled share-based payment expenses *(note 31)*	–	7,618	–	–	7,618
As at 31 December 2017	**442,233**	**7,618**	**1,097**	**(24,959)**	**425,989**

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximizing 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 2016 and 2017.

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.

34. CAPITAL RISK MANAGEMENT (Continued)

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

	2017	2016
	RMB'000	RMB'000
Total borrowings *(note (a))*	**63,313**	156,493
Total equity *(note (b))*	**1,165,265**	1,037,354
Gearing ratio	**5.4%**	15.1%

Notes:

(a) Total borrowings represents borrowings.

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

35. 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$1,500 (2016: HK$: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 (2016: 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 RMB3,417,000 (2016: RMB3,885,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

36. PLEDGE OF ASSETS

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

	2017	2016
	RMB'000	RMB'000
Buildings *(note 15)*	–	129,521
Prepaid lease payments *(note 16)*	–	33,590
	–	163,111

37. 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:

	2017	2016
	RMB'000	RMB'000
Within one year	**267**	94
In the second to fifth years, inclusive	**257**	142
After five years	**370**	383
	894	619

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

38. CAPITAL COMMITMENTS

	2017	2016
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**2,418**	2,775

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in note 26 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 2016 and 2017 is set out in note 11.

40. ACQUISITION OF ASSETS

For the year ended 31 December 2017

The Group acquired 100% of the entire issued share capital of Sunny Harvest Limited ("Sunny Harvest") and Simple Rise Inc. ("Simple Rise") for an aggregate consideration of approximately RMB14,327,000 (equivalent to HK$17,000,000) (the "Acquisition"). Major assets of Sunny Harvest and Simple Rise are investment properties, the purpose of the Acquisition is to acquire the investment properties held by Sunny Harvest and as such, the Acquisition has been accounted for as acquisition of the investment properties rather than business.

	RMB$'000
Net assets acquired:	
Investment properties	14,315
Prepayments, deposits and other receivables	2
Tax recoverable	11
Accruals and other payables	(1)
	14,327
Total consideration satisfied by:	
Cash consideration	14,327
Net cash outflow arising on acquisition:	
Cash consideration	14,327

41. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2017 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
Quick Choice Holdings Limited	BVI	Hong Kong, 8 June 2016	Ordinary shares US$1	100	–	Investment holding
Huisheng Enterprise Holdings Limited	BVI	Hong Kong, 19 August 2016	Ordinary shares US$1	100	–	Investment holding
Fully Everfield Limited	BVI	Hong Kong, 16 December 2016	Ordinary shares US$1	100	–	Investment holding
Hongkong Huisheng	Hong Kong	Hong Kong, 14 March 2006	Ordinary shares HK$5,000,000	–	100	Investment holding
Excelleng Circle Limited	Hong Kong	Hong Kong, 3 June 2016	Ordinary shares HK$1	–	100	Inactive
Huisheng Enterprise (Hong Kong) Limited	Hong Kong	Hong Kong, 6 September 2016	Ordinary shares HK$1	–	100	Inactive
Profitable Management Limited	Hong Kong	Hong Kong, 22 July 2016	Ordinary shares HK$1	–	100	Provision of administrative services
Hunan Huisheng*	The PRC	The PRC, 18 December 2007	Registered capital RMB136,700,00	–	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited* ("Linli Huisheng")	The PRC	The PRC, 19 August 2013	Registered capital RMB12,000,000	–	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited*	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
Changde City Dingcheng District Huisheng Meat Products Company Limited*	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
Taoyuan County Huisheng Meat Products Company Limited* ("Taoyuan Huisheng")	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 Huibang Muye Development Company Limited*	The PRC	The PRC, 30 September 2017	Registered capital RMB30,000,000	–	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Simple Rise Inc	BVI	Hong Kong, 18 March 2016	Ordinary shares HK$390,000	–	100	Property investment
Sunny Harvest Limited	Hong Kong	Hong Kong, 2 April 2008	Ordinary shares HK$2	–	100	Property investment
Century Classic Limited	BVI	Hong Kong, 17 October 2017	Ordinary shares US$1	–	100	Investment holding

* For identification purpose only

41. PRINCIPAL SUBSIDIARIES (Continued)

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.

42. COMPARATIVES

Certain comparative figures have been reclassified to conform with current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 March 2018.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2017

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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**673,987**	1,154,016	1,514,428	1,202,419	1,106,423
Cost of sales	**(645,985)**	(1,044,712)	(1,346,758)	(1,047,945)	(962,181)
Gross profit	**28,002**	109,304	167,670	154,474	144,242
Other income	**1,848**	4,016	5,777	4,887	3,767
Gain arising from change in fair value of investment properties	**13**	–	–	–	–
(Loss)/gain arising from change in fair value less costs to sell of biological assets	**(5,644)**	16,259	(363)	(2,361)	(926)
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss	**(7,139)**	18,181	–	–	–
Gain on disposal of financial assets at fair value through profit or loss	**40,249**	9,528	–	–	–
Selling and distribution expenses	**(11,194)**	(21,366)	(21,424)	(16,549)	(13,767)
Administrative expenses	**(35,422)**	(54,558)	(25,595)	(26,237)	(21,024)
Finance costs	**(8,640)**	(9,361)	(8,693)	(10,101)	(10,248)
Profit before taxation	**2,073**	72,003	117,372	104,113	102,044
Taxation	**(3,042)**	(2,684)	–	–	–
(Loss)/profit for the year	**(969)**	69,319	117,372	104,113	102,044
(Loss)/profit for the year attributable to:					
Owners of the Company	**(275)**	70,701	116,694	103,612	102,168
Non-controlling interests	**(694)**	(1,382)	678	501	(124)
	(969)	69,319	117,372	104,113	102,044

FIVE YEARS FINANCIAL SUMMARY (CONTINUED)

For the year ended 31 December 2017

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: (Continued)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,337,222**	1,243,352	1,227,155	971,251	728,451
Total liabilities	**(168,478)**	(205,998)	(310,473)	(245,525)	(262,813)
Total equity	**1,168,744**	1,037,354	916,682	725,726	465,638