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

INTERIM REPORT 2018

The board (the "**Board**") of directors (the "**Directors**") of Huisheng International Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June**	
		2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**248,721**	337,763
Cost of sales		**(254,153)**	(320,790)
Gross (loss)/profit		**(5,432)**	16,973
Other income	4	**1,601**	1,304
Gain/(loss) arising from change in fair value less costs to sell of biological assets	11	**5,753**	(1,901)
Net loss arising from change in fair value of financial assets at fair value through profit or loss		**(22,225)**	(1,422)
Net gain arising from disposal of financial assets at fair value through profit or loss		**10,322**	27,716
Gain on disposal of a subsidiary	17	**8,069**	–
Selling and distribution expenses		**(5,241)**	(9,717)
Administrative expenses		**(11,765)**	(23,730)
Finance costs		**(3,132)**	(4,289)
(Loss)/profit before taxation		**(22,050)**	4,934
Taxation	5	**–**	(2,613)
(Loss)/profit for the period	6	**(22,050)**	2,321
Other comprehensive (loss)/income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(208)**	9,042
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(1,500)**	–
Other comprehensive (loss)/income for the period, net of income tax		**(1,708)**	9,042
Total comprehensive (loss)/income for the period		**(23,758)**	11,363

	Notes	Six months ended 30 June **2018** **RMB'000** **(Unaudited)**	 2017 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(22,050)**	2,323
Non-controlling interests		**–**	(2)
		(22,050)	2,321
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(23,758)**	11,365
Non-controlling interests		**–**	(2)
		(23,758)	11,363
(Loss)/earning per share attributable to owners of the Company	7		
Basic and diluted (RMB cents per share)		**(2.5)**	0.3

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**486,863**	650,314
Prepaid lease payments		**16,636**	32,614
Biological assets	11	**24,981**	23,823
Deposits and prepayments for property, plant and equipment	13	**32,247**	32,247
Investment properties		**14,350**	14,158
Available-for-sale investment		**–**	1,500
		575,077	754,656
Current assets			
Financial assets at fair value through profit or loss	10	**42,563**	71,385
Biological assets	11	**6,480**	7,309
Inventories		**32,091**	19,171
Prepaid lease payments		**484**	941
Trade receivables	12	**64,136**	131,898
Prepayments, deposits and other receivables	13	**249,565**	2,071
Tax recoverable		**–**	11
Bank balances and cash		**302,214**	349,780
		697,533	582,566
Current liabilities			
Trade payables	14	**36,542**	82,379
Accruals and other payables	15	**33,878**	16,899
Borrowings	16	**51,255**	63,313
Deferred revenue		**25**	25
Tax payable		**5,609**	5,534
		127,309	168,150

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Net current assets		**570,224**	414,416
Total assets less current liabilities		**1,145,301**	1,169,072
Non-current liability			
Deferred revenue		**315**	328
Net assets		**1,144,986**	1,168,744
Equity			
Share capital	18	**7,200**	7,200
Reserves		**1,134,307**	1,158,065
Equity attributable to owners of the Company		**1,141,507**	1,165,265
Non-controlling interests		**3,479**	3,479
Total equity		**1,144,986**	1,168,744

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Equity attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	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 2017 (audited)	4,632	318,800	5,007	41,944	17,091	–	–	645,707	1,033,181	4,173	1,037,354
Profit/(loss) for the period	–	–	–	–	–	–	–	2,323	2,323	(2)	2,321
Other comprehensive income for the period	–	–	9,042	–	–	–	–	–	9,042	–	9,042
Total comprehensive income/(loss) for the period	–	–	9,042	–	–	–	–	2,323	11,365	(2)	11,363
Issue of shares under rights issue	2,568	125,819	–	–	–	–	–	–	128,387	–	128,387
Shares issue expenses	–	(2,387)	–	–	–	–	–	–	(2,387)	–	(2,387)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	7,618	–	7,618	–	7,618
As at 30 June 2017 (unaudited)	7,200	442,232	14,049	41,944	17,091	–	7,618	648,030	1,178,164	4,171	1,182,335
As at 1 January 2018 (audited)	**7,200**	**442,233**	**3,747**	**43,233**	**17,091**	**–**	**7,618**	**644,143**	**1,165,265**	**3,479**	**1,168,744**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,050)**	**(22,050)**	**–**	**(22,050)**
Other comprehensive loss for the period	**–**	**–**	**(208)**	**–**	**–**	**(1,500)**	**–**	**–**	**(1,708)**	**–**	**(1,708)**
Total comprehensive loss for the period	**–**	**–**	**(208)**	**–**	**–**	**(1,500)**	**–**	**(22,050)**	**(23,758)**	**–**	**(23,758)**
As at 30 June 2018 (unaudited)	**7,200**	**442,233**	**3,539**	**43,233**	**17,091**	**(1,500)**	**7,618**	**622,093**	**1,141,507**	**3,479**	**1,144,986**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash generated from operating activities	**(133,177)**	(9,462)
Investing activities		
Purchase of property, plant and equipment	**–**	(1,314)
Addition of non-current biological assets	**(15,757)**	(4,952)
Proceeds on disposal of non-current biological assets	**15,189**	–
Deposits and prepayments for property, plant and equipment	**–**	–
Net cast outflow from disposal of subsidiary	**(212)**	–
Other cash flows arising from investing activities	**2,206**	17,180
Net cash used in investing activities	**1,426**	10,914
Financing activities		
Interest paid	**(3,132)**	(4,289)
Dividends paid	**–**	–
Proceeds from borrowings	**–**	15,626
Repayments of borrowings	**87,442**	(103,206)
Repayments for shareholders	**–**	–
Shares issue expenses	**–**	(2,387)
Proceeds from issue of ordinary shares	**–**	128,387
Net cash generated from financing activities	**84,310**	34,131
Net increase in cash and cash equivalents	**(47,441)**	35,583
Cash and cash equivalents at the beginning of the period	**349,780**	256,232
Effect of foreign exchange rate changes, net	**(125)**	9,534
Cash and cash equivalents at the end of the period	**302,214**	301,349

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

1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). They have been prepared under the historical cost convention, except for biological assets and certain financial instruments which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2018 are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as described below.

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

The Group has adopted the following revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property

1. BASIS OF PREPARATION (Continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

1.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from sale of goods
- Interest income
- Dividend income
- Rental income
- Service fee income

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected as the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group 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.

1. **BASIS OF PREPARATION (Continued)**

1.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Impacts of application on HKFRS 15 The Group's business model is straight forward and its contracts with customers for the sale of pork products include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point in time when a customer obtains control. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

1. BASIS OF PREPARATION (Continued)

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

1.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("**FVTOCI**").

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income; and are not subject to impairment assessment. The cumulative gain or loss accumulated in fair value through other comprehensive income reserve will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

1.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

1.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

1. BASIS OF PREPARATION (Continued)

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

1.2.2 Summary of effects arising from initial application of HKFRS 9

Measurement and recognition of ECL (Continued)

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments RMB'000	Equity investments FVTOCI RMB'000
Closing balance at 31 December 2017		
— HKAS 39	1,500	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale investments	(1,500)	1,500
Opening balance at 1 January 2018	–	1,500

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which RMB1,500,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB1,500,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB1,500,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

1.2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

1. BASIS OF PREPARATION (Continued)

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

1.2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 (Audited) RMB'000	HKFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current assets			
Property, plant and equipment	650,314	–	650,314
Prepaid lease payments	32,614	–	32,614
Biological assets	23,823	–	23,823
Deposits and prepayments for Property, plant and equipment	32,247	–	32,247
Investment properties	14,158	–	14,158
Available-for-sale investments	1,500	(1,500)	–
Equity instruments at fair value through other comprehensive income	–	1,500	1,500
	754,656	–	754,656
Current assets			
Financial assets at fair value through profit or loss	71,385	–	71,385
Biological assets	7,309	–	7,309
Inventories	19,171	–	19,171
Prepaid lease payments	941	–	941
Trade receivables	131,898	–	131,898
Prepayments, deposits and other receivables	2,071	–	2,071
Tax recoverable	11	–	11
Bank balances and cash	349,780	–	349,780
	582,566	–	582,566

1. **BASIS OF PREPARATION (Continued)**

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

1.2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 (Audited) RMB'000	HKFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Current liabilities			
Trade payables	82,379	–	**82,379**
Accruals and other payables	16,899	–	**16,899**
Borrowings	63,313	–	**63,313**
Deferred revenue	25	–	**25**
Tax payable	5,534	–	**5,534**
	168,150	–	**168,150**
Net current assets	414,416	–	**414,416**
Total assets less current liabilities	1,169,072	–	**1,169,072**
Non-current liabilities			
Deferred revenue	328	–	**328**
	328	–	**328**
Net assets	1,168,744	–	**1,168,744**
Equity			
Share capital	7,200	–	**7,200**
Reserves	1,158,065	–	**1,158,065**
Equity attributable to owners of the Company	1,165,265	–	**1,165,265**
Non-controlling interests	3,479	–	**3,479**
Total equity	1,168,744	–	**1,168,744**

The Group has not early applied any new and revised HKFRSs that have been issued by the HKICPA but not yet effective.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2018 are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (the "**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial period beginning from 1 January 2018. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The Directors considered the application of the above new and revised HKFRSs has no material impact on the Group's financial performance and financial position for the current and prior periods.

The Group has not early applied any new and revised HKFRSs that have been issued by the HKICPA but not yet effective.

3. 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 (the "**CODMs**"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The operations of the Group constitute one reportable segment, i.e. slaughtering and trading of pork products. This is also the basis upon which the Group is arranged and organised.

3. SEGMENT INFORMATION (Continued)

The information reported to the CODMs for the purpose of resource allocation and assessment of performance, is with reference to (loss)/profit before taxation and assets which do not contain the gain/(loss) arising from change 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 condensed consolidated interim financial statements. The differences between the (loss)/profit before taxation and assets reported to the CODMs and those in the condensed consolidated interim financial statements are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment (loss)/profit before taxation reported to the CODMs	**(27,803)**	6,835
Add:		
Gain/(loss) arising from change in fair value less costs to sell of biological assets *(note)*	**5,753**	(1,901)
(Loss)/profit before taxation reported in the condensed consolidated interim financial statements	**(22,050)**	4,934

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

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

	As at	As at
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Segment assets reported to the CODMs	**1,139,233**	1,174,388
Add:		
Gain/(loss) arising from changes in fair value less costs to sell of biological assets *(note)*	**5,753**	(5,644)
Net assets reported in the condensed consolidated interim financial statements	**1,144,986**	1,168,744

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

3. **SEGMENT INFORMATION (Continued)**

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 People's Republic of China (the "**PRC**") during the reporting period is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hunan Province	**199,236**	272,280
Guangdong Province	**10,220**	17,655
Others	**39,265**	47,828
	248,721	337,763

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 80% of the total revenue during the six months ended 30 June 2018 (six months ended 30 June 2017: 81%).

Information about major customers

For the six months ended 30 June 2018, revenue generated from one customer (30 June 2017: Nil) of the Group which has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2017 and 2018.

Revenue from major customer, which contribute to 10% or more of the Group's revenue is set out below:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Client A *(note)*	**27,345**	N/A

Note: The revenue contributed by Client A during the six months ended 30 June 2017 was less than 10% of the Group's revenue.

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of pork products	**247,115**	336,156
Others *(note)*	**1,606**	1,607
	248,721	337,763

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposits	**706**	398
Amortisation of deferred revenue	**13**	13
Total interest income	**719**	411
Dividend income	**–**	4
Government grants *(note)*	**650**	451
Gain on disposal of property, plant and equipment	**–**	438
Sundry income	**232**	–
	1,601	1,304

Note: Government grants mainly represent incentive subsidies 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 government authorities of the PRC.

5. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— current period	**–**	2,613

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises nor is derived from Hong Kong for the six months ended 30 June 2018.

PRC

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

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

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

According to the prevailing tax rules and regulations, Hunan Huisheng, which operated in the business of primary processing of agriculture products, was exempted from the PRC EIT during the period under review.

5. **TAXATION (Continued)**

The income tax expense for the period can be reconciled to the (loss)/profit before taxation per condensed consolidated statement of profits or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation	**(22,050)**	4,934
Tax at the applicable income tax rate	**(4,030)**	1,174
Tax exemption for subsidiary operating in the PRC	**53**	(3,666)
Tax effect of expenses not deductible for tax purpose *(note)*	**(763)**	895
Tax effect of tax loss not recognised	**4,740**	4,210
Income tax expense	**–**	2,613

Note: The non-deductible expenses mainly consist of entertainment expenses which are not deductible for tax purpose under the relevant tax jurisdiction. According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from the PRC EIT, and no deferred taxation impact was considered for the reporting period.

6. **(LOSS)/PROFIT FOR THE PERIOD**

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	**730**	1,776
Other staff costs:		
Salaries and other benefits	**8,875**	6,074
Retirement schemes contributions	**1,749**	1,369
Equity-settled share-based payment	**–**	6,666
Total staff costs	**11,354**	15,885
Depreciation of property, plant and equipment	**17,574**	23,993
Amortisation of prepaid lease payments	**204**	438

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

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2018 of approximately RMB22,050,000 (six months ended 30 June 2017: profit of approximately RMB2,323,000) and the weighted average number of 868,470,000 (six months ended 30 June 2017: 705,211,000) ordinary shares in issue during the reporting period.

The diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the periods under review.

8. **DIVIDENDS**

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. **MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group incurred costs for buildings, plant and machinery, motor vehicles, furniture, fixtures and equipment and construction in progress of approximately RMB Nil, RMB Nil, RMB Nil, RMB12,000 and RMB Nil respectively (for the six months ended 30 June 2017: approximately RMB570,000, RMB691,000, RMB Nil, RMB53,000 and RMB Nil respectively).

10. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong *(note (a))*	**42,563**	61,316
Derivative financial assets:		
Convertible bond *(note (b))*	**–**	10,069
	42,563	71,385

Notes:

(a) At 30 June 2018, the fair value of the listed equity securities, amounting to approximately RMB42,563,000 (31 December 2017: approximately RMB61,316,000), was determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

(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. The CBs were disposed at a consideration of HK$9,300,000 during the period.

11. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Breeder hogs RMB'000	Porkers RMB'000	Total RMB'000
As at 1 January 2017 (audited)	34,791	68,592	103,383
Increase due to purchase	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 changes in fair value less costs to sell	3,109	(8,753)	(5,644)
As at 31 December 2017 and 1 January 2018 (audited)	23,823	7,309	31,132
Increase due to raising (Feeding cost and others)	15,757	11,939	27,696
Transfer	1,075	(1,075)	–
Decrease due to retirement and deaths	(2,681)	(2,307)	(4,988)
Decrease due to sales	(16,700)	(11,432)	(28,132)
Gain arising from changes in fair value less costs to sell	3,707	2,046	5,753
As at 30 June 2018 (unaudited)	24,981	6,480	31,461

Analysed for reporting purposes as:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current assets — breeder hogs	**24,981**	23,823
Current assets — porkers	**6,480**	7,309
At the end of the period/year	**31,461**	31,132

11. **BIOLOGICAL ASSETS (Continued)**

The Group's biological assets as at 31 December 2017 and 30 June 2018 have been arrived at on the basis of a valuation carried out by an independent qualified professional valuer. Given the nature of the biological assets where market determined prices are available, the fair value less costs to sell have been determined by the market approach based on the market determined prices as at 31 December 2017 and 30 June 2018 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The resulting gain arising from changes in fair value less costs to sell of biological assets of approximately RMB5,753,000 (loss recognised for the six months ended 30 June 2017: RMB1,901,000) has been recognised directly in profit or loss for the six months ended 30 June 2018.

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 30 June 2018

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Breeder hogs	**–**	**24,981**	**–**	**24,981**
Porkers	**–**	**6,480**	**–**	**6,480**
Total biological assets	**–**	**31,461**	**–**	**31,461**

As at 31 December 2017

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

11. **BIOLOGICAL ASSETS (Continued)**

Fair value hierarchy (Continued)

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2017: Nil). 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.

Valuation techniques and inputs used in Level 2 fair value measurements

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.

12. **TRADE RECEIVABLES**

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade receivables	**64,136**	131,898

The fair values of trade receivables approximate their carrying amount.

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:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 30 days	**44,379**	102,150
31 days to 60 days	**19,407**	29,398
61 days to 80 days	**350**	–
Over 81 days	**–**	350
Total	**64,136**	131,898

12. **TRADE RECEIVABLES (Continued)**

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's management on the collectability of overdue balances.

The Group does not hold any collateral over these balances.

13. **PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Deposits and prepayments for property, plant and equipment *(note (a))*	**32,247**	32,247
Other prepayments, deposits and other receivables *(note (b))*	**249,565**	2,071
	281,812	34,318

Analysed for reporting purposes as:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current assets	**32,247**	32,247
Current assets	**249,565**	2,071
	281,812	34,318

Notes:

(a) The deposits and prepayments for property, plant and equipment as at 30 June 2018 and 31 December 2017 were mainly for the purchase of equipment of production facilities in the Group's slaughter house and breeding farms.

(b) As at 30 June 2018, there were (i) approximately of RMB38,000,000 consideration receivables from disposal of a subsidiary, (ii) approximately of RMB50,000,000 prepayment for biological assets and (iii) approximately of RMB160,000,000 prepayment for property, plant and equipment included in prepayments, deposits and other receivables of the Group.

14. TRADE PAYABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade payables	**36,542**	82,379

The Group was offered credit period on purchase of goods of 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:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 30 days	**36,542**	82,379

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Other payables for property, plant and equipment	**–**	100
Accruals and other payables	**33,878**	16,799
	33,878	16,899

16. BORROWINGS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Secured:		
Other borrowings *(note)*	**4,373**	–
Unsecured:		
Bank borrowings	**30,000**	30,000
Other borrowings	**16,882**	33,313
	51,255	63,313

Note: The other borrowing is secured by the Group's equity securities listed in Hong Kong with fair value of approximately RMB42,259,000.

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
On demand or within one year and shown under current liabilities	**51,255**	63,313

The carrying amount of the Group's borrowings are all originally denominated in RMB and HKD, which are the functional currencies of the Group.

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

	As at 30 June 2018 % (Unaudited)	As at 31 December 2017 % (Audited)
Fixed rate borrowings	**4.00–30.00**	4.00–30.00

17. DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2018, the Group disposed of its entire equity interests in a subsidiary, 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*) to an independent third party. The disposed subsidiary is incorporated in the PRC which is engaged in breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming. The disposal was completed on 18 May 2018.

The net assets of the disposed subsidiary at the date of disposal was as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	146,082
Prepaid lease payments	16,231
Prepayments, deposits and other receivables	17,278
Bank balances and cash	212
Accruals and other payables	(50,372)
Borrowings	(99,500)
	29,931
Gain on disposal of a subsidiary	8,069
	38,000
Satisfied by:	
Cash consideration receivables	38,000
Net cash outflow from disposal of a subsidiary:	
Bank balances and cash	(212)

* *For identification purpose only*

18. **SHARE CAPITAL**

For the purpose of the presentation of the condensed consolidated statement of financial position, the balance of the capital as at 1 January 2017, 31 December 2017 and 30 June 2018 represented the issued and fully paid share capital of the Company.

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

	Number of shares	Amount HK$'000	Amount RMB'000
Authorised:			
Balance as at 31 December 2017, 1 January 2018 and 30 June 2018	**1,500,000,000**	**150,000**	**11,810**
Issued and fully paid:			
Balance as at 1 January 2017	578,980,000	5,790	4,632
Issue of shares under rights issue *(note (a))*	289,490,000	2,895	2,568
Balance as at 31 December 2017, 1 January 2018 and 30 June 2018	**868,470,000**	**8,685**	**7,200**

Note:

(a) 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.

19. **MATERIAL RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2018 and 2017.

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the six months ended 30 June 2018 and 2017 is set out in note 6.

20. COMMITMENTS

At the end of each reporting date, 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.

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within one year	**223**	267
In the second to fifth years, inclusive	**171**	257
After the fifth year	**359**	370
	753	894

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

The Group had the following capital expenditure contracted for but not provided in the condensed consolidated financial statements:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
In respect of the acquisition of property, plant and equipment	**2,383**	2,418

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2018.

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 first half of 2018, the overall pork products market in the PRC faced challenging market situation. Many pork products companies in the PRC recorded substantial decrease in financial results due to the downturn of the pork products industry. According to the National Bureau of Statistics of the PRC, during the first half of 2018, the price of pork products decreased by approximately 12.5% in compared with the same period of last year. The continuous decrease is mainly due to the excess capacity of the hog breeding industry in the PRC. The supply exceeded demand results the overall decrease of pork products. As a result of the decrease in unit price and also the decrease in sales volume, during the six months period ended 30 June 2018, the revenue of the Group was approximately RMB248.7 million, which was approximately 26.4% less than the same period of 2017.

In order to deal with the changing market environment, the Group is fine-tuning the supply chain and reformulating the source of hogs such as actively eliminates certain old breeder hogs in order to reduce the breeding costs. In April 2018, 湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), an indirect wholly-owned subsidiary, as the vendor (the "**Vendor**") had entered into an equity transfer agreement with 常德宏潤牧業有限公司 (Changde Hong Run Animal Husbandry Co., Ltd*) as the purchaser (the "**Purchaser**") pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the equity interest of 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*) ("**Target Company**") , representing 100% of the registered capital of the Target Company, at a consideration of RMB38.0 million (equivalent to approximately HK$47.2 million) (the "**Disposal**").

The assets of the Target Company comprise the old production base and two old breeding farms of the Group. The Group has already constructed a new production base and commenced operation since 2014. The said new production base, which achieves higher efficiency with new plant and equipment, has gradually taken over the hog slaughtering and pork processing operation of the old production base. It was already planned that the old production base would be disposed once the transitional period passed and the new production base can run smoothly. The Board considers it is the right time to dispose of the old production base since the new production base has been operating smoothly for more than three years. The Disposal may reduce the idle capacity, enhance the utilization efficiency and shed loss making operations.

Combined with fact that there are excess effect of a lower utilization rate as a result of decreasing slaughtering volume, products' fixed cost has increased and the Group has experienced a decrease in the profit margin. In addition, the deteriorating operating environment resulted in the old production base and the two old breeding farms owned by the Target Company recorded an unaudited loss after tax of RMB531,000 for the year ended 31 December 2017 as compared to a profit after tax of RMB9,361,000 for the year ended 31 December 2016. The Board expects the loss making situation of the old production assets will not turnaround in the foreseeable future as efficiency will continue to drop due to the depreciation of assets over time. Details of the Disposal are set out in the announcement of the Company dated 20 April 2018.

On the other hand, in view of the market trend of reducing production volume, the Group also consolidated the hogs in certain breeding farms and temporarily closed the rest farms for upgrading the sewage and waste treatment facilities. This may not only provide a better environment to our hogs, but also prepare the necessary hardware for future introduction of new hog species with better quality and higher grading.

In view of the higher environmental protection requirements and the more frequent inspections from the related government authorities, the Group has spent more during the Reporting Period to improve the sewage and waste treatment facilities and is evaluating the cost efficiency of maintaining the current breeding facilities while meeting the higher environmental regulatory requirements.

Meanwhile, 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.

During the six months ended 30 June 2018 (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.

Financial Review

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB248.7 million, representing a decrease of approximately 26.4% as compared with the same period of last year. The reduction was mainly due to the sales of pork products recorded continuous downturn and the overall market prices decreased as compared with the same period of last year. The sales volume also decrease due to supplies over demands. On the other hand, given the Group still needed to bear certain fixed product costs such as depreciation and breeding costs, during the period under review, the Group recorded a gross loss of approximately RMB5.4 million, while it was a gross profit of approximately RMB17.0 million in the first half of 2017.

The selling and distribution expenses of the Group for the six months period ended 30 June 2018 decreased by approximately 46.4% to approximately RMB5.2 million due to the decrease of revenue.

For the six months period ended 30 June 2018, the administrative expenses of the Group were approximately RMB11.8 million, while it was approximately RMB23.7 million during the same period in 2017. In 2017, there was an one-off equity-settled share-based payment expenses recognized of approximately RMB7.6 million. Furthermore, the Group was streamlining the structure and thus saved more expenses during this period.

The Group's finance costs were approximately RMB3.1 million during the first half of 2018, while it was approximately RMB4.3 million during the same period in 2017. The Group has put more efforts in the reduction of borrowings and will allocate the existing resources in a more efficient and effective way in order to reduce expenses and also provide returns to the Group.

The loss attributable to owners of the Company during the six months ended 30 June 2018 was approximately RMB22.1 million, while it was a profit of approximately RMB2.3 million in the same period of 2017. The reduction was mainly due to decrease of slaughtering volume and selling price while the Group still borne certain fixed production costs; and also the net loss arising from change in fair value of financial assets at fair value through profit or loss due to the volatile stock market condition.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 30 June 2018, the Group had bank balances and cash of approximately RMB302.2 million (31 December 2017: RMB349.8 million). The Group also had net current assets of approximately RMB570.2 million as at 30 June 2018, while it was approximately RMB414.4 million as at 31 December 2017. The total non-current assets of the Group decreased by approximately RMB179.6 million from approximately RMB754.7 million as at 31 December 2017 to approximately RMB575.1 million as at 30 June 2018, which was mainly due to the disposal of a subsidiary during the Reporting Period.

As at 30 June 2018, the Group had several outstanding borrowings with an aggregate amount of approximately RMB51.3 million with fixed interest rates ranging from 4.00% to 30.00% per annum.

The Group intends to finance its operations and investing activities principally with funds generating from its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi and Hong Kong dollars. 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 30 June 2018, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Charge of Group Assets

As at 30 June 2018, the Group had pledged certain equity securities listed in Hong Kong with fair value of approximately RMB42,259,000.

Gearing Ratio

As at 30 June 2018, the Group's gearing ratio (being its total debts (which are the summation of borrowings) divided by its total equity and multiplied by 100%) decreased to approximately 4.5% (31 December 2017: 5.4%).

Foreign Exchange Exposure

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the Reporting Period, the Directors believe that such 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.

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Directors were not aware of any material capital commitments and contingent liabilities.

Material Acquisitions and Disposals

Save as disclosed in this report, during the six months ended 30 June 2018, the Group did not have other material acquisition and disposal of subsidiaries and affiliated companies.

Significant Investment

Save as disclosed in this report, there was no other significant investments during the Reporting Period.

Subsequent Events

On 17 July 2018, the Company had granted a total of 45,788,000 options of the Company at an exercise price of HK$0.207 per Share (the "**Option(s)**") to a Director, eligible employees and consultants of the Group. Among the Options granted, 3,684,000 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 17 July 2018.

Save as disclosed above, no other subsequent event has occurred after 30 June 2018 which may have a significant effect on the assets and liabilities or future operations of the Group.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Employees and Remuneration Policy

As at 30 June 2018, the Group employed 337 staff members in Hong Kong and the PRC (31 December 2017: 387). 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 has adopted a share option scheme on 11 February 2014 which enables it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions to the Group.

Capital Structure

During the six months ended 30 June 2018, there are a total of 868,470,000 of issued Shares of the Company.

There was no other changes in the capital structure of the Company during the six months ended 30 June 2018.

Subsequently, on 24 July 2018, a consultant of the Company exercised a total of 3,684,000 Options granted on 17 July 2018 at an exercise price of HK$0.207. As at the date of this report, there are a total of 872,154,000 of issued shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

COMPETING INTEREST

None of the Directors nor 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.

DIRECTORS' INTERESTS IN CONTRACTS

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

OUTLOOK AND FUTURE PROSPECTS

During the last two years, the price of pork products entered into the downward cycle and it is expected that it may last for a period of time. The Group will get prepared during this period by means of restructuring the existing facilities and may consider to eliminate any low efficiency facilities when opportunities arise. The Group will also seek for opportunities to develop a brand of higher quality pork products to cope with the need of mid-to-high end customers.

Recently, there were African swine-fever spread in the PRC, and the Group will perform a higher standard of testing in the external procured hogs to ensure our pork products are in good standard. For self-breeding hogs, we will also arrange a more frequent monitoring over the health condition of hogs, and may separate different groups of hogs in order to avoid cross-infection. The Group will use any means and any costs to ensure our pork products will not deliver any diseases to our customers.

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**")), or 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 30 June 2018 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 1)
Chan Chi Ching (陳始正)	Beneficial Owner	5,000,000 (Underlying Shares)	0.58%

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 30 June 2018.

Note:

(1) The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2018, which was 868,470,000.

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. A total of 5,000,000 Options were granted to a Director.

Details of such interests and movement of Options granted by the Company during the six months ended 30 June 2018 are shown below:

			Number of share options					
Name of Grantees	Position held with the Company	Exercise period	Outstanding as at 1 January 2018	Granted during the Period	Exercised during the Period	Expired/ Lapsed/ Cancelled during the Period	Outstanding as at 30 June 2018	Exercise price per share
Director								
Chan Chi Ching (陳始正)	Executive Director	10 April 2017 to 9 April 2027	5,000,000	–	–	–	5,000,000	HK$0.51
Other Eligible participants								
Employees and consultants		10 April 2017 to 9 April 2027	35,000,000	–	–	–	35,000,000	HK$0.51
Total			**40,000,000**	–	–	–	**40,000,000**	

Save as disclosed above, no options were cancelled, exercised or lapsed during the Reporting Period.

Subsequently, on 17 July 2018, the Company granted a total of 45,788,000 options with the rights to subscribe 45,788,000 ordinary Shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme at an exercise price of HK$0.207 per Share. The closing price per share immediately before the grant of options on 17 July 2018 was HK$0.203. A total of 3,684,000 Options were granted to a Director.

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

As at 30 June 2018, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provision(s)**") and certain recommended best practices contained in 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 six months ended 30 June 2018, except for the following:

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 former chairman of the Board (the "**Chairman**") who resigned as executive Director and Chairman on 30 June 2018 was unable to attend the annual general meeting ("**AGM**") on 29 June 2018 due to other business engagements. The Company has been identifying a suitable candidate to assume the duties as Chairman. An executive Director had chaired the AGM on 29 June 2018 and Adjourned AGM on 10 July 2018 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 dated 16 March 2018.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee is primarily responsible for, among other things, reviewing the Group's financial controls, risk management and internal control systems and monitoring the integrity of its financial statements and financial reports. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun, Alan, Mr. Wong King Shiu, Daniel and Mr. Deng Jinping, with Mr. Wong Yuk Lun, Alan as its chairman.

The Audit Committee has reviewed with the management the financial and accounting policies adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management.

CHANGE IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, changes of the information of the Directors, subsequent to the date of the annual report of the Company for the year ended 31 December 2017, required to be disclosed, are set out below:

Mr. Ding Biyan has resigned as an executive Director, Chairman of the Board and ceased to be a member of the remuneration committee of the Board (the "**Remuneration Committee**") with effect from 30 June 2018.

Mr. Chan Chi Ching, an executive Director, has been appointed as a member of the Remuneration Committee with effect from 30 June 2018.

Subsequently, Mr. Suen Man Fung has been appointed as an executive Director with effect from 17 July 2018.

Save as disclosed above, there is no other change in information regarding the Directors or chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By order of the Board
HUISHENG INTERNATIONAL HOLDINGS LIMITED
Chan Chi Ching
Director

Hong Kong, 28 August 2018