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 2018

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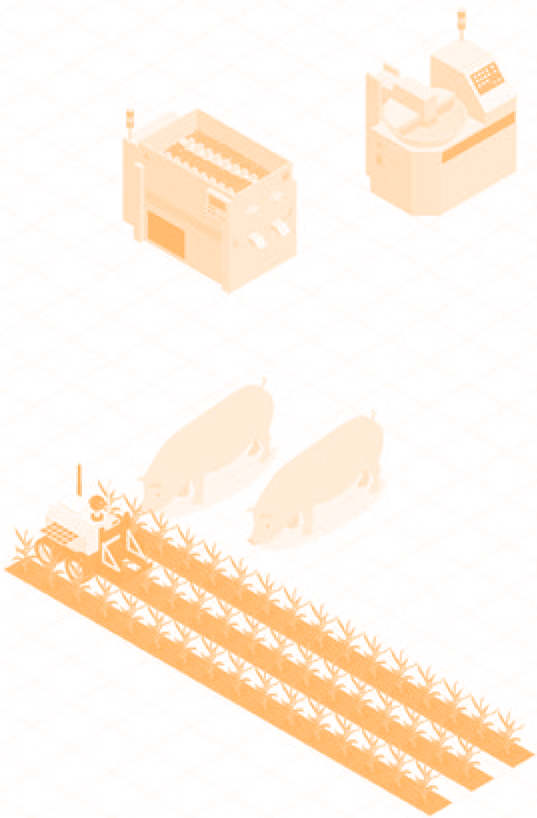

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Chi Ching
Ms. Lam Ka Lee
Dr. Liu Ta-pei
Mr. Suen Man Fung

Independent Non-executive Directors

Mr. Chan Hin Hang
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Ching
Ms. Lam Mei Wai Michelle

AUDIT COMMITTEE

Mr. Chan Hin Hang *(Committee Chairman)*
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan

REMUNERATION COMMITTEE

Mr. Wong King Shiu, Daniel *(Committee Chairman)*
Mr. Chan Chi Ching
Mr. Chan Hin Hang
Mr. Wong Yuk Lun, Alan

NOMINATION COMMITTEE

Mr. Chan Hin Hang *(Committee Chairman)*
Mr. Chan Chi Ching
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan

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

STATEMENT TO THE SHAREHOLDERS

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 2018.

The outbreak of African swine fever ("ASF") in second half year of 2018 had severely affected the pork market in the PRC. The total number of ASF outbreaks had reached 13 in 6 different provinces since August 2018. The PRC has been actively trying to put the brakes on the spread of ASF. Officials are culling herds that could be susceptible to contracting the virus in affected areas. It was reported that approximately 40,000 hogs have been culled. While this was just a fraction of a percentage of the overall hog population, estimated to be nearly 450 million, thousands more hogs potentially could be culled as the virus spreads. The PRC has also introduced a ban on transporting pigs and pork products from, as well as through, the affected provinces, which has the potential to significantly disrupt the country's pork supply chain. This ban has already affected price to an extent due to an imbalance of supply and demand between provinces, and the inability to get the pigs and the pork to where they are demanded.

With the undesirable condition of ASF in the PRC and overall negative sentiment over pork products caused severe damages to the business of the Group. We had received the quarantine order dated 24 October 2018 from the Agriculture Committee of Changde City* in relation to the seizure of our slaughterhouse in Changde City for a period of 42 days since it has slaughtered hogs provided from Taoyuan County. Another two breeding farms of our Group in Taoyuan County also received quarantine orders dated 24 October 2018 from the government of Taoyuan County* regarding the blockade and destruction of the two breeding farms for a period of 42 days. They were ordered to kill all the hogs located in these 2 breeding farms and suspend business.

In view of the pessimistic market condition, the Company had taken the time in 2018 and attempted to strengthen our financial situation and maintain a stable development of the Company. We believe that the very first step to improve our business is to have a strong and healthy capital basis. In 2018, the Company had made our effort to place 173,692,000 placing shares, at the placing price of HK$0.159, having an objective to raise fund to repay the loan and as general working capital of the Company. As the economy especially the stock market had become volatile during 2018, the Company and the placing agent had mutually agreed to terminate the said placing agreement.

Nevertheless, the Board, always bearing in mind the benefits of the Company and its shareholders (the "Shareholders"), has been looking for other ways to drive the Company for steady growth and healthy financial condition. During the year ended 31 December 2018, we had disposed a subsidiary with old production base so as to reduce the idle capacity, enhance the utilisation efficiency and shed loss making operations. Having the same vision, subsequently in 2019, the Company has also disposed a subsidiary possessing property in Wanchai so as to realise the investment to redeploy its resources and enhance the financial position of the Group. We hope that this business strategy would allow us to maintain sufficient resources to support our business operation and improve our hogs and facilities in the PRC so that we can continue to provide quality hogs and pork products to customers.

* *For identification purposes only*

OUTLOOK AND PROSPECT

During the first quarter of 2019, the development of hog industry in the PRC was seemingly stagnant due to the outbreak of ASF. The death of the infected hogs had caused a decrease in output, making the hog price hit the highest in 14 months in March 2019. Worst still, in early 2019, some places like Taiwan has bolstered its border security to combat the spread of ASF into Taiwan, bringing any pork products to Taiwan from the PRC is strictly prohibited and heavily fined. On the other hand, the US had also ramped up the fight against the disease and had seized 450,000 kg of pork from the PRC. This causes a drastic drop of demand in both domestic and foreign markets.

As a number of hogs had been destroyed because of the ASF, the Group will acquire more quality hogs to maintain a stable business and supply of hogs. We will also persistently 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. These measures however, will inevitably require injection of additional resources, in addition to the existing loan of the Company to be repaid, there are need for the Company to raise fund so that we can maintain our business operations as well as capital for new potential projects. The Board shall continue to strive for various channels for fund raising and other potential business opportunities to open up new revenue source and diverse our business risk while keeping our attention on maintaining higher standard of corporate governance for long term healthy and sustainable developments for the Company and create benefits for the Shareholders.

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.

By order of the Board
Huisheng International Holdings Limited
Chan Chi Ching
Executive Director

Hong Kong, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET 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.

The widespread of ASF had seriously dampened the pork raising and sale industry in the PRC. According to the announcement from Ministry of Agriculture and Rural Affairs of the People's Republic of China dated 23 October 2018, there were detections of ASF in Yiyang City and Changde City of Hunan Province in Mainland China. Positive samples of ASF were discovered in 2 pig breeding farms located at Taojiang County of Yiyang City and Taoyuan County of Changde City. 17 hogs were dead and 44 hogs were diagnosed with ASF among the 546 live hogs in Taojiang County and the outbreak was even more severe in Taoyuan County where 31 hogs were dead and 208 hogs diagnosed with ASF among the 268 live hogs. As at the date of this report, ASF had spread to at least 111 confirmed cases in 28 provinces and regions across the country.

BUSINESS REVIEW

Affected by the ASF, 湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), the wholly-owned subsidiary of the Company, had received the quarantine order dated 24 October 2018 from the Agriculture Committee of Changde City* in relation to the seizure of our slaughterhouse in Changde City for a period of 42 days since it has slaughtered hogs provided from Taoyuan County. Another two breeding farms of our Group in Taoyuan County also received quarantine orders dated 24 October 2018 from the government of Taoyuan County* regarding the blockade and destruction of the two breeding farms for a period of 42 days. They are ordered to kill all the hogs and clear all the inventories located in these 2 breeding farms. Furthermore, both slaughterhouse and breeding farms were ordered to suspend operation and sales during the quarantine period and perform disinfection and harmless treatment in order to clear all the ASF virus.

Not only did the quarantine orders overwhelmingly hinder the production of hogs or other pork products, the outbreak of ASF also affected the customers' confidence and in turn the demand for pork products which further decrease the sales of pork products.

The above seizure and quarantine orders will only be discharged when the PRC authorities are satisfied of the conditions of our slaughterhouse and breeding farms. Raising of hogs are expected to be only allowed at least half year after the seizure and quarantine orders are discharged. As at the date hereof, the above seizure and quarantine orders are still in effect and our business in the slaughterhouse and breeding farms are still in suspension.

In view of the current situation of our slaughterhouse and breeding farms and the spread of ASF, the Company has taken a prudent view and assessment on its impact on the future operations of the Company. Taking a careful and conservative view and assumption that the business of slaughterhouse and breeding farms could only be resumed one year after the seizure and quarantine orders, the Company has cautiously lowered the business projection of the Company and made a provision of an impairment of the property, plant and equipment of the Group in the amount of approximately RMB208 million for the year ended 31 December 2018, due to the high degree of uncertainty on the ASF outbreaks in the PRC.

* *For identification purposes only*

To make things worse, live hog prices in major consumption and production areas rose 7 percent on average per kilogram, according to data provided by consultancy China-America Commodity Data Analytics. Prices of pork across the country surged almost 20 percent even though the demand for pork was not high.

The outbreak of ASF in the PRC was catastrophic to the industry, many pork products companies in the PRC recorded substantial decrease in financial results due to the downturn of the pork products industry, and the Company was no exception. As a result of the damages done by the ASF, during the year ended 31 December 2018, the revenue of the Group was approximately RMB382 million, which recorded a decrease of approximately 43.3% of the same period of 2017.

In order to deal with the adversity of the changing market, during the year of 2018, the Group had kept its effort to fine-tune the supply chain and reformulate 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.*) ("Hunan Huisheng"), an indirect wholly-owned subsidiary, as 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, 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.*) ("Changde Hui Bang"), representing 100% of the registered capital of Changde Hui Bang, at a consideration of RMB38.0 million (equivalent to approximately HK$47.2 million) (the "Disposal of Changde Hui Bang").

The assets of Changde Hui Bang 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 of Changde Hui Bang may reduce the idle capacity, enhance the utilisation efficiency and shed loss making operations.

Combined with fact that there are excess effect of a lower utilisation 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 Changde Hui Bang 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 of Changde Hui Bang are set out in the announcement of the Company dated 20 April 2018.

On the other hand, in view of improving the conditions of our farms, 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 and stringent inspections from the related government authorities, the Group has spent more during the year 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.

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Facing the gloomy weather of the industry, the Group had strived to maintain healthy financial condition and sufficient resources, both in terms of capital and human resources for sustainable development. The Group sees our human resources an important if not essential element for successful business. Therefore, on 17 July 2018, the Company had granted a total of 45,788,000 share options at an exercise price of HK$0.207 per share to a director, employees and consultants of the Company, having the objective to retain talents and to provide motivation to work towards the benefits of the Company. Details of the grant of share options are set out in the announcement of the Company dated 17 July 2018.

Meanwhile, the Group had made a few moves in order to strengthen the financial position of the Company. To utilise the idle cash of the Group, the Group had conducted various acquisitions and disposals of equity shares of listed companies on the open market through the Stock Exchange of Hong Kong Limited (the "Acquisitions and Disposals of Shares"). Some of these Acquisitions and Disposals of Shares had constituted discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and are accordingly subject to notification and announcement requirements thereunder. Having received guidance and clarifications from the Stock Exchange, the Group was alert to comply with the requirements under the Listing Rules and to prevent the occurrence of similar non-compliance incident involving the trading of listed securities in the future, the Company will establish a committee which will be empowered by the Board to deal with its securities investments. The Directors believe that the Acquisitions of Shares would amount to investment opportunity to the Company to generate short-term return. On the other hand, the net proceeds of the Disposals of Shares were used to support the capital needs of the Group. As the Acquisitions and Disposals of Shares were made at the then prevailing market price, the Directors are of the view that the Acquisitions and Disposals of Shares were fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole. Details of the Acquisitions and Disposals of Shares are set out in the announcement of the Company dated 26 February 2019.

Besides, we had attempted to raise fund for the Group by means of placing of shares. On 21 September 2018, the Company and Yellow River Securities Limited (the "Placing Agent") entered into the placing agreement (the "Placing Agreement") pursuant to which the Company agreed to allot under the general mandate and Placing Agent agreed to place, on a best effort basis, up to 173,692,000 placing shares, at the placing price of HK$0.159 (the "Placing"). The net proceeds from the Placing, after deduction of commission and other expenses of the Placing, would amount to approximately HK$26,588,000. The net proceeds of the Placing was proposed to be utilised for repayment of the outstanding loan in a sum of HK$21,500,000 which was due and matured on 21 August 2018 and extended to 21 August 2019 pursuant to the extension letter dated 25 March 2019; and the remaining balance of the proceeds in an estimated sum of approximately HK$5,088,000 would be reserved for general working capital and administration expenses of the Company. However, on 15 October 2018, owing to the market sentiment, the Company and the Placing Agent had mutually agreed to unconditionally terminate the Placing Agreement. Details of the Placing are set out in the announcements of the Company dated 21 September 2018, 5 October 2018, 15 October 2018 and 26 February 2019.

Before the decision to proceed with the Placing, the Company had considered the possibility of utilising the cash of the Group held in the PRC at the time, and explored different possible ways through which this could be done, such as by way of dividend payment or intra-Group loans. These methods, however, were subject to restrictions under PRC's applicable financial regulations, and may potentially impose tax liabilities on the Group's relevant PRC subsidiaries.

The Board also considered the possibility of realising the securities held by the Company at the time to provide for the relevant working capital needs. However, by reason of the unexpected recession of securities market, the Board came to the view that it would be in the best interest of the Shareholders for the funds to be raised by way of Placing.

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 of the Company dated 9 January 2017.

During the year ended 31 December 2018, 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

Net proceeds raised (Approximately)		Intended use of proceeds	Actual use of proceeds (Approximately)
HK$52.71 million	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 utilise 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 year ended 31 December 2018, the Group recorded revenue of approximately RMB382 million, representing a decrease of approximately 43.3% as compared with the same period of last year. The reduction was mainly due to the outbreak of ASF in the PRC, which affected not only the operations of the Group but also the customers' confidence and in turn decrease in demand for pork products and resulting in a lower sales volume. 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 utilisation rate and hence each products may bear more fixed costs, such as depreciation and breeding costs, etc. As a result, the average gross profit margin of the Group decreased from approximately 4.2% in 2017 to average gross loss margin of approximately 1.9% in the current year.

The selling and distribution expenses of the Group for the year ended 31 December 2018 decreased from approximately RMB11 million to approximately RMB6 million which is in line with the decrease in revenue for the year.

For the year ended 31 December 2018, the administrative expenses of the Group were approximately RMB59 million, while it was approximately RMB35 million in 2017. The increase of administrative expenses was mainly due to the outbreak of ASF, the Group was responsible for the heavy incidental costs, such as disposal and disinfection expenses. Moreover, the loss allowances for trade and other receivables due to the application of HKFRS 9 is also the reason for instant increase of administrative expenses.

The Group's finance costs were approximately RMB8 million in 2018, while it was approximately RMB9 million in 2017.

The loss attributable to owners of the Company in 2018 was approximately RMB343 million, while it was a loss of approximately RMB0.3 million in 2017. The reduction was mainly due to the damage done by the outbreak of ASF, which resulted in (i) decrease in revenue by approximately 43.3%; (ii) write-off of biological assets of approximately RMB33 million; (iii) write-off of inventories of approximately RMB32 million; (iv) provision of an impairment of property, plant and equipment of approximately RMB208 million; and (v) net loss arising in change in fair value of financial assets at FVPL due to the volatile stock market condition of approximately RMB19 million during this reporting year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2018, the Group had bank and cash balances of approximately RMB8 million (2017: approximately RMB350 million). The Group also had net current assets of approximately RMB42 million, which decreased by approximately RMB372 million as compared with that as at 31 December 2017 which is mainly attributable to the payment of deposits and prepayments for property, plant and equipment and biological assets and loan receivables of which were classified as non-current assets. The total non-current assets of the Group were approximately RMB793 million as at 31 December 2018 (2017: approximately RMB755 million).

As at 31 December 2018, the Group had an outstanding borrowing with an amount of approximately RMB23 million with fixed interest rate of 30% 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 2018. 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 2018, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2018 (2017: nil).

GEARING RATIO

As at 31 December 2018, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 2.7% (2017: approximately 5.4%).

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 2018, 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 20 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 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, 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.*), representing 100% of the registered capital of Changde Hui Bang at a consideration of RMB38.0 million (equivalent to approximately HK$47.2 million).

Save as disclosed above, for the year ended 31 December 2018, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

During the year, the Company had invested in certain equity shares which are listed in the Hong Kong Stock Exchange. Details of the transactions are set out in the announcement of the Company dated 26 February 2019. Saved as disclosed therein, 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 2018 (2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 245 staff and workers in Hong Kong and the PRC (2017: 387). 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.

* *For identification purposes only*

CAPITAL STRUCTURE

As at 31 December 2018, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2018 and the date of this report, there are a total of 880,838,000 issued Shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

In 2018, the swing of ASF had put the hog industry of the PRC, home to the world's largest hog herd, in peril. During the first quarter of 2019, the situation was seemingly stagnant. The death of the infected hogs had caused a decrease of output, making the hog price hit the highest in 14 months in March 2019. Worst still, in early 2019, some places like Taiwan has bolstered its border security to fight with the spread of ASF into Taiwan, bringing any pork products to Taiwan from the PRC is strictly prohibited and heavily fined. On the other hand, the US had also ramped up the fight against the disease and had seized 450,000 kg of pork from the PRC. This causes a drastic drop of demand in both domestic and foreign markets.

To combat with the gloomy situation, as a number of hogs had been destroyed because of the ASF, the Group will acquire more quality hogs to maintain a stable business and supply of hogs. We will also persistently 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. As mentioned above, our operation in the slaughterhouse and breeding farms are still in suspension and the Company expects that it would take around nine months to one year for us to fully resume its business. For the purpose of keeping steady revenue for the Company during the period of continuing seizure and quarantine orders, the Company shall look for potential business opportunities so as to diversify our business risk and income source. The Board shall continue to strive for various channels for fund raising. Meanwhile, we shall pay our attention on maintaining higher standard of corporate governance for long term healthy and sustainable developments for the Company and create benefits for the Shareholders.

EVENTS AFTER THE YEAR END DATE

(1) On 11 March 2019, the Company as the vendor had entered into a sale and purchase agreement with New Stream Holdings Limited as the purchaser, an independent third party (as defined in the Listing Rules), pursuant to which the purchaser has agreed to acquire and the Company has agreed to sell the entire share capital and the 100% of all amounts, including principal and interest, owing by Simple Rise Inc. ("Simple Rise"), a direct wholly-owned subsidiary of the Company incorporated in British Virgin Islands and its wholly-owned subsidiary, Sunny Harvest Limited ("Sunny Harvest"), an indirect wholly-owned subsidiary of the Company for a cash consideration of HK$19,500,000 (the "Disposal of Simple Rise").

Simple Rise is the legal and beneficial owner of a property ("Property 1") and Sunny Harvest, which in turn is the legal and beneficial owner of another property ("Property 2", together with Property 1, collectively "Properties"). The Properties are Office A and Office B located on a floor of Aubin House, Nos. 171 & 172 Gloucester Road, Hong Kong. The Properties are commercial offices with gross floor area of approximately 610 square feet and approximately 610 square feet respectively.

The Disposal of Simple Rise enables the Company to streamline the business of the Group so that more resources can be allocated to the existing business of the Company and to seek for other potential business opportunities. The Board also intends to apply the net proceeds from the Disposal of Simple Rise as general working capital of the Group. Completion of the Disposal of Simple Rise is scheduled to take place on or before 31 May 2019 or such later date to be agreed by the Company and the purchaser. Details of the Disposal of Simple Rise are set out in the announcement of the Company dated 11 March 2019.

(2) With effect from 22 March 2019, (i) Mr. Deng Jinping has resigned as an independent non-executive Director, the chairman of the nomination committee (the "Nomination Committee"), and a member of the audit committee (the "Audit Committee") of the Company, (ii) Mr. Wong Yuk Lun, Alan has ceased to be the chairman of Audit Committee and re-designated as the member of Audit Committee and (iii) Mr. Chan Hin Hang has been appointed as an independent non-executive Director, the chairman of the Audit Committee and the Nomination Committee and a member of the remuneration committee of the Company.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Chi Ching (陳始正), aged 40, was appointed as an executive Director on 7 June 2016. He has also been appointed as one of the authorised representatives of the Company and a member of Nomination Committee as well as a member of the remuneration committee (the "Remuneration Committee") of the Company. 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 67, was appointed as an 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.

Dr. Liu is currently an independent non-executive director of China Vanguard You Champion Holdings Limited (Formerly known as China Vanguard Group Limited) ("China Vanguard") (Stock Code: 8156, a listed company on GEM of the Stock Exchange) since 11 December 2017. He was a former independent non-executive director of China Vanguard from 17 February 2017 to 23 November 2017. He was also a director of Mega Financial Holding Company Limited (Stock Code: 2886, a company listed on the Taiwan Stock Exchange Corporation) and also served as the chairman of Mega Securities Co., Ltd. and Mega Bills Finance Co., Ltd. respectively. He had 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 35, was appointed as an 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.

Mr. Suen Man Fung（孫文峯）, aged 32, was appointed as an executive Director on 17 July 2018. Mr. Suen holds a Bachelor of Science in Mathematics from The Hong Kong University of Science and Technology in 2011. Mr. Suen has board working experience in property management as well as financial investment industries. He is currently working in a managerial role in a financial institution in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Hin Hang (陳衍行), aged 32, was appointed as an independent non-executive Director on 22 March 2019. He is also the chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Chan holds a Bachelor Degree in Business (Banking and Finance) from the Queensland University of Technology. Mr. Chan worked at Deloitte Touche Tohmatsu from September 2010 to June 2015 and he is also a member of CPA Australia. Mr. Chan has over 7 years of accounting experience.

Mr. Chan is currently an independent non-executive director of China Demeter Financial investments Limited (Stock Code: 8120, a listed company on GEM of the Stock Exchange). Mr. Chan was also an independent non-executive director of Millennium Pacific Group Holdings Limited (Stock Code: 8147, a listed company on GEM of the Stock Exchange) from 17 July 2017 to 31 July 2018.

Mr. Wong King Shiu, Daniel (黃景兆), aged 59, was appointed as an independent non-executive Director on 7 June 2016. He is the Chairman of the Remuneration Committee and a member of Audit Committee and Nomination Committee. 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 authorised representative of China Baoli Technologies Holdings Limited (Stock Code: 164, a listed company on the main board of the Stock Exchange) and an executive director of China Information Technology Development Limited (Stock Code: 8178, a listed company on GEM of the Stock Exchange).

Mr. Wong Yuk Lun, Alan (黃玉麟), aged 44, was appointed as an independent non-executive Director on 6 July 2017. He is a member of Audit Committee, Nomination Committee and Remuneration Committee. 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 (Stock Code: 872, a listed company on the main board of the Stock Exchange) since 2 September 2014. He was also an independent non-executive director of Bolina Holding Co., Ltd. (Stock Code: 1190, a listed company on the main board of the Stock Exchange) from 7 July 2016 to 27 March 2017.

SENIOR MANAGEMENT

Mr. Zhou Zhenghua (周正華), aged 56, 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 62, 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*

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle (林美慧), aged 35, was appointed as company secretary (the "Company Secretary") and authorised 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.

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 2018.

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 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Further discussion and analysis of the Company's 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 13 and the "Statement to the Shareholders" 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 loss of the Group for the year ended 31 December 2018 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 47 to 48 and pages 133 to 134 respectively.

Details of the distributable reserves of the Group and the Company for the year ended 31 December 2018 are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements respectively. As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB389,621,000 (2017: RMB417,274,000).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: 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 34 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 31 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 employees' 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

Particulars of borrowings of the Group as at 31 December 2018 are set out in note 28 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the five largest customers of the Group accounted for less than 29.0% of the Group's total revenue, while the five largest suppliers accounted for less than 27.3% 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 are as follows:

	Percentage of the Group's total	
	revenue	**purchases**
The largest customer	14.0%	N/A
The five largest customers in aggregate	29.0%	N/A
The largest supplier	N/A	8.5%
The five largest suppliers in aggregate	N/A	27.3%

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 139 and 140 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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 2019.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, as far as the Company is aware, save as disclosed in this report, 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 a responsible 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 2018, 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. Chan Chi Ching
Ms. Lam Ka Lee
Dr. Liu Ta-pei
Mr. Suen Man Fung *(Appointed on 17 July 2018)*
Mr. Ding Biyan *(Resigned as executive director and chairman on 30 June 2018)*

Independent non-executive Directors

Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan
Mr. Chan Hin Hang *(Appointed on 22 March 2019)*
Mr. Deng Jinping *(Resigned on 22 March 2019)*

In accordance with articles 83(3) and 84 of the Articles, the following Directors, namely, Dr. Liu Ta-pei, Ms. Lam Ka Lee, Mr. Wong Yuk Lun, Alan, Mr. Suen Man Fung and Mr. Chan Hin Hang 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 Director 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. 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 2018, Mr. Deng Jinping 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. He had resigned as independent non-executive Director on 22 March 2019.

Each of Mr. Wong King Shiu, Daniel, Mr. Wong Yuk Lun, Alan and Mr. Chan Hin Hang, 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.

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.

DIRECTORS' EMOLUMENTS

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

REMUNERATION OF SENIOR MANAGEMENT

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

	2018	2017
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	—	1
	2	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.

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. 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.

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

Name of Grantees	Position held with the Company	Date of Grant	Exercise Period	Number of share options Outstanding as at 1 January 2018	Granted on 17 July 2018	Exercised during the year 2018	Outstanding as at 31 December 2018	Exercise price per share
Director								
Chan Chi Ching	Executive Director	10 April 2017	10 April 2017 to 9 April 2027	5,000,000	—	—	5,000,000	HK$0.510
		17 July 2018	17 July 2018 to 16 July 2028	—	3,684,000	—	3,684,000	HK$0.207
Other Eligible participants								
Employees and consultants		10 April 2017	10 April 2017 to 9 April 2027	35,000,000	—	—	35,000,000	HK$0.510
		17 July 2018	17 July 2018 to 16 July 2028	—	42,104,000	12,368,000	29,736,000	HK$0.207
Total				**40,0000,000**	**45,788,000**	**12,368,000**	**73,420,000**	

During the year, 3,684,000 options and 8,684,000 options were exercised on 24 July 2018 and 11 September 2018 respectively. Save as disclosed above, none of the outstanding options were exercised, cancelled or lapsed during the year ended 31 December 2018.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2018 was 41,059,000 shares which represented 4.661% 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 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)*
Chan Chi Ching	Beneficial Owner	8,684,000 (Underlying Shares)	0.99%

Note: The percentage is calculated based on the total number of ordinary Shares of the Company in issue as at 31 December 2018, which was 880,838,000.

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 2018.

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

As at 31 December 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.

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.

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 THE COMPANY'S 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 2018.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2018 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.

EVENTS AFTER THE YEAR-END DATE

Details of the events after the year-end date are set out in page 13 of the "Management Discussion and Analysis" 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
Chan Chi Ching
Executive Director

Hong Kong, 27 March 2019

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 2018 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.

Mr. Ding Biyan had resigned as executive Director and chairman of the Board (the "Chairman") on 30 June 2018 and the Company has still been identifying a suitable candidate to assume the duties as Chairman. 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 (if later appointed), 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 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 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. An executive Director had chaired the AGM on 29 June 2018 and adjourned AGM on 10 July 2018 and answered questions from the Shareholders.

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

THE BOARD OF DIRECTORS

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. Chan Chi Ching, Dr. Liu Ta-pei, Ms. Lam Ka Lee and Mr. Suen Man Fung, and three independent non-executive Directors, Mr. Wong Yuk Lun, Alan, Mr. Wong King Shiu, Daniel and Mr. Chan Hin Hang, 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 20 and the biographical details of the Directors and relevant relationships among them (if any) are set out on pages 14 to 16 of this report. Save as disclosed therein, there is no financial, business, family or other material or relevant relationship among the Directors.

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.

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ding Biyan has resigned as executive Director and the Chairman of the Board on 30 June 2018. The Company will use its best endeavour in finding a suitable candidate to assume the duties as Chairman when appropriate.

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.

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 Shareholders.

The terms of appointment of each of the independent non-executive Directors are set out on page 21 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 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 2018, thirteen 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. Chan Chi Ching	1/1	13/13
Dr. Liu Ta-pei	0/1	13/13
Ms. Lam Ka Lee	1/1	13/13
Mr. Suen Man Fung *(Appointed on 17 July 2018)*	N/A	6/6
Mr. Ding Biyan *(Resigned as executive director and chairman on 30 June 2018)*	0/1	0/4
Independent non-executive Director		
Mr. Wong King Shiu, Daniel	0/1	13/13
Mr. Wong Yuk Lun, Alan	0/1	13/13
Mr. Deng Jinping *(Resigned on 22 March 2019)*	0/1	2/13
Mr. Chan Hin Hang *(Appointed on 22 March 2019)*	N/A	N/A

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 and Mr. Chan Hin Hang. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction of the Group's operations.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The summary of the board diversity policy (the "Board Diversity Policy"), together with the measurable objectives set for implementing the Board Diversity Policy, and the progress for achieving those objectives are disclosed as below:-

Summary of the Board Diversity Policy

With the aim of enhancing Board effectiveness and corporate governance as well as achieving our business objectives, in designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

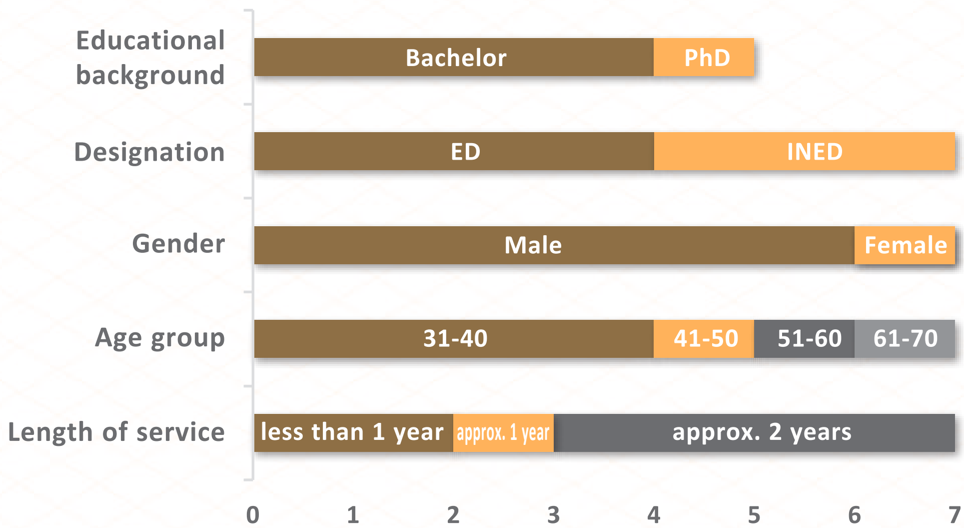
Measurable objectives

Selection of candidates of the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board.

Implementation and Monitoring

The Nomination Committee is responsible for monitoring the progress of the measurable objectives set out in the Board Diversity Policy, and reviewed the Board's composition at least once annually. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness.

As at the date of this report, the Board's composition under diversified perspectives was summarised as follows:



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 2018.

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 2018.

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.

Mr. Ding Biyan has resigned as an executive Director and the Chairman of the Board, ceased to be a member of the Remuneration Committee with effective from 30 June 2018 and the Board appointed Mr. Chan Chi Ching, an executive Director of the Company as a member of the Remuneration Committee since 30 June 2018. Mr. Chan Hin Hang, an independent non-executive Director has been appointed as a member of the Remuneration Committee since 22 March 2019. The Remuneration Committee currently consists of Mr. Wong King Shiu, Daniel, Mr. Chan Chi Ching, Mr. Wong Yuk Lun, Alan and Mr. Chan Hin Hang. Mr. Wong King Shiu, Daniel is the chairman of the Remuneration Committee.

WORK SUMMARY OF REMUNERATION COMMITTEE

In 2018, the Remuneration Committee held two meetings to review the remuneration policy and packages for all Directors and senior management, to review and recommend to the Board the remuneration package in relation to the appointment of new director on 17 July 2018. Details of attendance of members at meeting of the Remuneration Committee held during the year ended 31 December 2018 are set out as follows:

	Attendance/ Number of meetings
Mr. Wong King Shiu, Daniel *(Committee Chairman)*	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Chan Chi Ching *(Appointed as member on 30 June 2018)*	1/1
Mr. Ding Biyan *(Resigned as executive director and chairman on 30 June 2018)*	1/1
Mr. Chan Hin Hang *(Appointed as member on 22 March 2019)*	N/A

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. Mr. Deng Jingping has resigned as an independent non-executive Director and the chairman of Nomination Committee with effect from 22 March 2019. Mr. Chan Hin Hang, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee since 22 March 2019. The Nomination Committee currently consists of Mr. Chan Hin Hang, Mr. Chan Chi Ching, Mr. Wong Yuk Lun, Alan and Mr. Wong King Shiu, Daniel. Mr. Chan Hin Hang is the chairman of the Nomination Committee.

WORK SUMMARY OF NOMINATION COMMITTEE

In 2018, the Nomination Committee held three meetings and reviewed and noted, inter-alia, re-election of retiring Directors; the size, composition and structure of the Board; the board diversity of the Board; results of annual assessment on effectiveness of the Board and for each of the independent non-executive Directors for the year 2018; assessment of independence of the independent non-executive Directors. In addition, it also reviewed and recommended to the Board for approval/noting: (i) the Board Diversity Policy; (ii) the nomination policy and (iii) revisions to the terms of reference of Nomination Committee. Details of attendance of members at meeting of the Nomination Committee held during the year ended 31 December 2018 are set out as follows:

	Attendance/ Number of meetings
Mr. Deng Jinping *(Resigned as Committee Chairman on 22 March 2019)*	1/3
Mr. Chan Chi Ching	3/3
Mr. Wong Yuk Lun, Alan	3/3
Mr. Wong King Shiu, Daniel	3/3
Mr. Chan Hin Hang *(Appointed as Committee Chairman on 22 March 2019)*	N/A

NOMINATION POLICY

Objectives

The nomination policy of the Company (the "Nomination Policy") sets out the procedures process and criteria for identifying and recommending candidates for election to the Board of Directors.

The Nomination Policy as adopted by the Company on 31 December 2018, aims to ensure the Board of directors of the Company are equipped with the appropriate balance of skills, experience and knowledge and diversity of perspectives appropriate with the Company's business and future development.

Selection Criteria

The factors which are not exhaustive and decisive, listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

a. Reputation for integrity.

b. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.

c. Commitment in respect of sufficient time and relevant interest.

d. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

e. Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate and recommend any person, as it considers appropriate to the Board for further approval.

Review of the Nomination Policy

The Nomination Committee shall review and recommend to the Board on any revisions to the Nomination Policy to ensure its transparent and fair for the election or re-election process of directors, remains relevant to the Company needs and reflects the good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revision to the Board for consideration and approval.

AUDIT COMMITTEE

The Company established an audit committee ("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. Mr. Deng Jingping resigned as an independent non-executive Director and the member of the Audit Committee with effect from 22 March 2019 and the Board appointed Mr. Chan Hin Hang, an independent non-executive Director of the Company as the chairman of Audit Committee and re-designated Mr. Wong Yuk Lun, Alan as the member of Audit Committee since 22 March 2019. The Audit Committee currently consists of Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan. Mr. Chan Hin Hang is currently the chairman of the Audit Committee.

WORK SUMMARY OF AUDIT COMMITTEE

The Audit Committee held two meetings during the year ended 31 December 2018 and had performed the following work:-

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2017;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2018;
- reviewed the external auditors' statutory audit plan, audit scope and engagement letters;
- reviewed and recommended for approval by the Board the 2018 interim and annual audit plan, scope and fees;
- reviewed the adequacy and effectiveness of risk management and internal control system and processes of the Group for the year ended 31 December 2017; and
- reviewed the revisions to the terms of reference of Audit Committee.

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 2018 are set out as follows:

	Attendance/ Number of meetings
Mr. Wong Yuk Lun, Alan *(Re-designated from Committee Chairman to member on 22 March 2019)*	2/2
Mr. Chan Hin Hang *(Appointed as Committee Chairman on 22 March 2019)*	N/A
Mr. Wong King Shiu, Daniel	2/2
Mr. Deng Jinping *(Resigned on 22 March 2019)*	1/2

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 2018, 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 2018 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 summarised the risk management and internal control systems to realise 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 provided by the auditors is approximately RMB1,000,000.

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 inside information 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 as appropriate 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 2018 included developing and reviewing the Company's policies on corporate governance and reviewing the Company's compliance with the Code Provisions.

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 31 December 2018, 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. Chan Chi Ching	✓	✓
Ms. Lam Ka Lee	✓	✓
Dr. Liu Ta-pei	✓	✓
Mr. Suen Man Fung *(Appointed on 17 July 2018)*	✓	✓
Mr. Ding Biyan *(Resigned as executive Director and Chairman on 30 June 2018)*	✓	✓
Independent Non-Executive Directors		
Mr. Wong King Shiu, Daniel	✓	✓
Mr. Wong Yuk Lun, Alan	✓	✓
Mr. Deng Jinping *(Resigned on 22 March 2019)*	✓	✓
Mr. Chan Hin Hang *(Appointed on 22 March 2019)*	N/A	N/A

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 2018 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 twenty-one (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.

DIVIDEND POLICY

The dividend policy of the Company has been adopted on 31 December 2018 which sets out the factors in determination of dividend payment of the Company (the "Dividend Policy").

Under the Dividend Policy, the declaration and payment of dividends shall be in accordance with the applicable laws and the relevant provisions of articles of association of the Company effective from time to time.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group's earnings, reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development, the financial conditions, business plan, future operations and earnings, capital requirement and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Group's lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

The Company will continually review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

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 2018.

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 47 to 138, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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

Allowance for expected credit losses assessment of loan receivables

Refer to note 4 and note 24 to the consolidated financial statements

As at 31 December 2018, the Group's gross loan receivables amounted to RMB260,000,000 (2017: nil) and a provision for allowance for expected credit losses of loan receivables of RMB265,000 (2017: nil) was recognised in the Group's consolidated statement of financial position.

The balance of provision for allowance for expected credit losses of loan receivables represents the management's best estimates at the year ended date of expected credit losses under Hong Kong Financial Reporting Standard 9: Financial Instruments expected credit losses models.

Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involve significant management judgments and assumptions, primarily including the following:

- Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default;
- Criteria for determining whether or not there was a significant increase in credit risk or a default; and
- Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings.

We focus on this area due to the magnitude of the loan receivables and the significant estimates and judgements involved in determining the expected credit losses allowance on the loan receivables.

Our procedures in relation to management's assessment on provision for allowance for expected credit losses of loan receivables as at 31 December 2018 included:

- Understood and tested the key control procedures performed by management, including its procedures on periodic review on overdue receivables and the assessment of expected credit losses allowance on the loan receivables;
- Understood and evaluated the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination;
- For the historical information, discussed with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence;
- For forward-looking measurement, we assessed the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data; and
- Checked major data inputs used in the expected credit losses models on sample basis to the Group's record.

Based on the above, we found that the estimates and judgements made by management in respect of the expected credit losses allowance and the collectability of the loan receivables were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment

Refer to note 4 and note 15 to the consolidated financial statements.

As at 31 December 2018, the Group had property, plant and equipment of approximately RMB261,733,000. In view of the current situation of the slaughterhouse and breeding farms and the spread of African Swine Fever. There is an indicator of impairment for property, plant and equipment and hence the management of the Group performed an impairment assessment on the property, plant and equipment. An impairment loss on property, plant and equipment of approximately RMB207,640,000 was recognised for the year. This conclusion was based on the selection of appropriate comparables and assumptions such as discount rate and future revenue. The Group engaged an external valuer to perform the valuation for the recoverable amount of the property, plant and equipment. Independent external valuation was obtained in order to support management's estimates.

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 independent valuer's competence, capabilities and objectivity;
- 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 is 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	6	**382,016**	673,987
Cost of sales		**(389,254)**	(645,985)
Gross (loss)/profit		**(7,238)**	28,002
Other income	6	**16,539**	1,848
Other gain or loss, net	8	**(57,684)**	—
Gain arising from change in fair value of investment properties	17	**2,110**	13
Loss arising from change in fair value less costs to sell of biological assets	21	**—**	(5,644)
(Loss)/gain arising in change in fair value of financial assets at fair value through profit or loss	11	**(18,715)**	33,110
Impairment loss of property, plant and equipment		**(207,640)**	—
Selling and distribution expenses		**(6,310)**	(11,194)
Administrative expenses		**(59,130)**	(35,422)
Finance costs	9	**(8,346)**	(8,640)
(Loss)/profit before taxation		**(346,414)**	2,073
Taxation	10	**3,449**	(3,042)
Loss for the year	11	**(342,965)**	(969)
Other comprehensive income/(loss) for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**3,469**	(1,260)
Other comprehensive income/(loss) for the year, net of income tax		**3,469**	(1,260)
Total comprehensive loss for the year		**(339,496)**	(2,229)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(342,953)**	(275)
Non-controlling interests		**(12)**	(694)
		(342,965)	(969)
Total comprehensive loss attributable to:			
Owners of the Company		**(339,484)**	(1,535)
Non-controlling interests		**(12)**	(694)
		(339,496)	(2,229)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	**(39.30)**	(0.03)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**261,733**	650,314
Prepaid lease payments	16	**16,397**	32,614
Biological assets	21	**—**	23,823
Deposits and prepayments for property, plant and equipment	24	**116,238**	32,247
Deposits and prepayments for biological assets	24	**120,000**	—
Loan receivables	24	**259,735**	—
Investment properties	17	**17,121**	14,158
Financial assets at fair value through other comprehensive income	19	**1,500**	—
Available-for-sale investments	18	**—**	1,500
		792,724	754,656
Current assets			
Financial assets at fair value through profit or loss	20	**35,124**	71,385
Biological assets	21	**—**	7,309
Inventories	22	**—**	19,171
Prepaid lease payments	16	**455**	941
Trade receivables	23	**5,669**	131,898
Prepayments, deposits and other receivables	24	**52,508**	2,071
Tax recoverable		**12**	11
Bank balances and cash	25	**8,168**	349,780
		101,936	582,566
Current liabilities			
Trade payables	26	**—**	82,379
Accruals and other payables	27	**36,911**	16,899
Borrowings	28	**22,690**	63,313
Deferred revenue	30	**25**	25
Tax payable		**—**	5,534
		59,626	168,150
Net current assets		**42,310**	414,416
Total assets less current liabilities		**835,034**	1,169,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current liability			
Deferred revenue	30	**302**	328
Net assets		**834,732**	1,168,744
Equity			
Share capital	31	**7,308**	7,200
Reserves		**823,957**	1,158,065
Equity attributable to owners of the Company		**831,265**	1,165,265
Non-controlling interests		**3,467**	3,479
Total equity		**834,732**	1,168,744

Approved by the Board of Directors on 27 March 2019 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.

For the year ended 31 December 2018

	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 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 31(a))*	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 32)*	—	—	—	—	—	7,618	—	7,618	—	7,618
As at 31 December 2017 and 1 January 2018	**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 year	**–**	**–**	**–**	**–**	**–**	**–**	**(342,953)**	**(342,953)**	**(12)**	**(342,965)**
Other comprehensive income for the year	**–**	**–**	**3,469**	**–**	**–**	**–**	**–**	**3,469**	**–**	**3,469**
Total comprehensive (loss)/ income for the year	**–**	**–**	**3,469**	**–**	**–**	**–**	**(342,953)**	**(339,484)**	**(12)**	**(339,496)**
Exercise of share option *(note 31(b))*	**108**	**3,014**	**–**	**–**	**–**	**(875)**	**–**	**2,247**	**–**	**2,247**
Recognition of equity-settled share-based payment expenses *(note 32)*	**–**	**–**	**–**	**–**	**–**	**3,237**	**–**	**3,237**	**–**	**3,237**
As at 31 December 2018	**7,308**	**445,247**	**7,216**	**43,233**	**17,091**	**9,980**	**301,190**	**831,265**	**3,467**	**834,732**

Notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Operating activities			
(Loss)/profit before taxation		**(346,414)**	2,073
Adjustments for:			
Interest income	6	**(14,530)**	(1,068)
Finance costs	9	**8,346**	8,640
Depreciation of property, plant and equipment	11	**35,139**	41,804
Written-off of property, plant and equipment	11	—	12,049
Impairment loss of property, plant and equipment	11	**207,640**	—
Amortisation of prepaid lease payments	11	**505**	941
Net foreign exchange loss	11	—	1
Expenses recognised in respect of equity-settled share-based payment		**3,237**	7,618
Loss from selling of non-current biological assets	11	—	2,025
Gains arising from change in fair value of investment properties	17	**(2,110)**	(13)
(Loss)/gain arising in change in fair value of financial assets at fair value through profit or loss	11	**18,715**	(33,110)
Gain on disposal of a subsidiary	29	**(8,069)**	—
Write-off of biological assets	8	**33,277**	—
Write-off of inventories	8	**32,476**	—
Bad debts written off		**350**	—
Allowance for expected credit losses		**802**	—
Loss arising from change in fair values less costs to sell of biological assets		—	5,644
Operating cash flows before movements in working capital		**(30,636)**	46,604
(Increase)/decrease in biological assets		**(18,325)**	60,971
Decrease/(increase) in financial assets at fair value through profit or loss		**17,545**	(12,420)
Increase in inventories		**(13,305)**	(10,465)
Decrease/(increase) in trade receivables		**125,805**	(89,219)
(Increase)/decrease in prepayments, deposits and other receivables		**(276,793)**	33,335
(Decrease)/increase in trade payables		**(82,379)**	71,336
Increase/(decrease) in accruals and other payables		**70,383**	(18,377)
Cash (used in)/generated from operating activities		**(207,705)**	81,765
Income tax paid		**(2,086)**	—
Cash (used in)/generated from operating activities		**(209,791)**	81,765

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Investing activities			
Interest received		**1,120**	1,043
Purchase of property, plant and equipment		**(257)**	(1,336)
Purchase of prepaid lease payments		**(33)**	—
Addition of non-current biological assets		**(3,095)**	(34,807)
Proceeds on disposals of non-current biological assets		**19,275**	38,418
Deposits and prepayments for biological assets		**(120,000)**	—
Deposits and prepayments for property, plant and equipment		**(83,991)**	—
Acquisition of assets	40	**—**	(14,327)
Net cash outflow from disposal of a subsidiary	29	**(212)**	—
Net cash used in investing activities		**(187,193)**	(11,009)
Financing activities			
Interest paid		**(8,346)**	(8,640)
Proceeds from borrowings		**58,877**	69,975
Repayments of borrowings		**—**	(163,155)
Shares issue expenses		**—**	(2,386)
Proceeds from exercise of share options		**2,247**	—
Proceeds from issue of ordinary shares		**—**	128,387
Net cash generated from financing activities		**52,778**	24,181
Net (decrease)/increase in cash and cash equivalents		**(344,206)**	94,937
Cash and cash equivalents at beginning of the year		**349,780**	256,232
Effect of foreign exchange rate changes		**2,594**	(1,389)
Cash and cash equivalents at the end of the year		**8,168**	349,780

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

1. GENERAL INFORMATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at 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")

Application of new and revised HKFRSs — effective on 1 January 2018

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on or after 1 January 2018. A summary of the new and revised HKFRSs applied by the Group are set out follows:

HKFRSs (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

The above new and revised 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.

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(a) Impact on the consolidated financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the application of new and revised HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 December 2017 RMB'000	HKFRS 9 RMB'000	1 January 2018 RMB'000
Non-current assets			
Financial assets at fair value through other comprehensive income	—	1,500	1,500
Available-for-sale investments	1,500	(1,500)	—

(b) HKFRS 9 Financial instruments

In the current year, 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.

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 under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

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

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(b) HKFRS 9 Financial instruments (Continued)

(i) *Classification and measurement*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including) interest are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(b) HKFRS 9 Financial instruments (Continued)

(i) Classification and measurement (Continued)

Summary of effects arising from initial application of HKFRS 9

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	**Financial assets at FVOCI** 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 available-for-sale ("AFS") investments to financial assets at FVOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale financial assets. 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 financial assets at FVOCI, of which RMB1,500,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39.

Financial assets at FVPL

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, approximately RMB71,385,000 of the Group's investments were held for trading and continued to be measured at FVPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(b) HKFRS 9 Financial instruments (Continued)

(i) Classification and measurement (Continued)

Financial assets at FVPL (Continued)

Except as above described, there is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, trade receivables, deposit and other receivables for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

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.

Consolidated statement of financial position (extract)	31 December 2017 (Audited) RMB'000	HKFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current assets			
Available-for-sale investments	1,500	(1,500)	—
Equity instruments at fair value through other comprehensive income	—	1,500	**1,500**

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

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(b) HKFRS 9 Financial instruments (Continued)

(ii) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and other receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables, loan receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for loan receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

(c) HKFRS 15 Revenue from Contracts with Customers and the related amendments

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

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers and the related amendments (Continued)

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.

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

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

Application of new and revised HKFRSs — effective on 1 January 2018 (Continued)

(d) HKAS 40 (Amendments) Transfer of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under constriction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

New and revised HKFRSs that have been issued but are not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2020.
[4] Effective for annual periods beginning on or after 1 January 2021.
[5] Effective for annual periods beginning on or after a date to be determined.

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

New and revised HKFRSs that have been issued but are not yet effective (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 HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases 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, 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 lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB658,000 as disclosed in note 37 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

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

New and revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 Leases (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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 and other income recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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.

A performance obligation represents a good or 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income recognition (Continued)

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. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The Group recognises revenue from the following major source which was recognised over the terms of the contracts as the work is performed:

(i) Sales of pork products

Revenue is recognised when pork products are delivered, hogs are slaughtered 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.

(ii) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.

Revenue recognition (prior to 1 January 2018)

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 FVPL) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the consolidated 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses

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

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

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

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

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1st January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

(i) Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; 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-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

(ii) Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposit paid, other receivables, loan receivables and cash and bank balances). The amount of ECL is updated at each reporting period 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, 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 period. 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 period as well as the forecast of future conditions.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) *Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)*

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 period 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;
- 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) *Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)*

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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 where the corresponding adjustment is recognised through a loss allowance account.

Financial instruments (before application of HKFRS 9 on 1 January 2018)

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 FVPL) 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 FVPL are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (Continued)

Financial assets

The Group's financial assets are classified into financial assets at FVPL, 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 FVPL.

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 FVPL.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (Continued)

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 FVPL

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

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 FVPL 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 FVPL.

Financial assets at FVPL

Financial assets at FVPL 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (Continued)
Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (Continued)
Derecognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

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

Other financial liabilities
Financial liabilities (including trade payables, accruals and other payables, amount due to a shareholder, amounts due to subsidiaries and borrowings) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (Continued)
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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

Contingent liabilities and contingent assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Property, plant and equipment are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on the higher of its value in use and its fair value less cost of disposal. These calculations of the value in use are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic condition over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years. And the fair value less cost of disposal 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.

(b) Provision of ECL for financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 5(b).

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

(b) Provision of ECL for financial assets at amortised cost (Continued)

As at 31 December 2018, there were trade receivables, loan receivables and other receivables approximately RMB5,743,000, RMB260,000,000 and RMB52,971,000, respectively net of allowance for credit losses of approximately RMB74,000, RMB265,000 and RMB463,000, respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, loan receivables and other receivables are disclosed in notes 23 and 24 respectively.

(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 21.

(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

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)		
— Trade receivables	—	131,898
— Other receivables	—	1,497
— Bank balances and cash	—	349,780
	—	483,175
Amortised cost		
— Trade receivables	5,669	—
— Loan receivables	259,735	—
— Other receivables	38,435	—
— Bank balances and cash	8,168	—
	312,007	483,175
Financial assets at FVPL	35,124	71,385
Financial assets at FVOCI	1,500	—
Available-for-sale investments	—	1,500
	348,631	556,060
Financial liabilities		
Amortised cost		
— Trade payables	—	82,379
— Accruals and other payables	36,911	16,899
— Borrowings	22,690	63,313
	59,601	162,591

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management

The directors 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, loan receivables, other receivables, bank balances and cash, financial assets at FVPL, 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.

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% (2017: 5%) higher/lower, (loss)/profit after tax for the year ended 31 December 2018 would decrease/increase by approximately RMB2,000,000 (2017: RMB2,866,000).

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, loan receivables, deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2018.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the Group's revenue is received from individual customers in relation to hog breeding, hog slaughtering and sale of pork products. The Group's trade receivables arise from hog breeding, hog slaughtering and sale of pork products to the customers. As at the end of the year, the top three debtors and the largest debtor accounted for approximately 71.79% and 28.82% (2017: 20.12% and 11.36%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 80 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000
3 months to 1 year past due	**1.29%**	**5,743**	**74**

The closing loss allowances for including trade receivables, loan receivables and other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	Other financial assets at amortised cost RMB'000
At 1 January 2018-HKFRS 9	–	–
Increase in loss allowances recognised in profit or loss during the year	**74**	**728**
At 31 December 2018-HKFRS 9	**74**	**728**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60–90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The credit quality of the deposits has been assessed with reference to historical information about the counterparties default rate and financial position of the counterparties. The directors are of the opinion that the credit risk of deposits is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of deposits is assessed to be close to zero and no provision was made as of 31 December 2018.

For loan receivables and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

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 2018					
Non-derivative financial liabilities					
Accruals and other payables	–	36,911	–	36,911	36,911
Borrowings	30.00	22,690	–	22,690	22,690
		59,601	–	59,601	59,601

	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

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 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	35,124	—	—	35,124
Financial assets at FVOCI	—	1,500	—	1,500
	35,124	1,500	—	36,624

Type	Fair value hierarchy	Valuation technique and key input
Financial assets at FVPL		
Listed equity securities in HK	Level 1	Quoted bid prices in an active market
Financial assets at FVOCI		
— Unlisted equity investments	Level 2	Market approach — P/E ratio

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value hierarchy (Continued)

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	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	Binominal 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%

During the years ended 31 December 2018 and 2017, there were no transfers of fair value measurement between Level 1 and Level 2, and there were no transfers into or out of Level 3 for both financial assets and financial liabilities.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

6. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income for the years ended 31 December 2018 and 2017 is as follows:

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers		
Sale of pork products	**378,874**	669,250
Others *(note)*	**3,142**	4,737
	382,016	673,987

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

6. REVENUE AND OTHER INCOME (Continued)

The reconciliation of revenue from contracts with customers for the year ended 31 December 2018 is as follows:

	2018 RMB'000
Recognised at a point in time:	
Sales of pork products	378,874
Others	3,142
	382,106

	2018 RMB'000	2017 RMB'000
Other income		
Interest income on:		
Financial assets at fair value through profit or loss	—	146
Bank deposits	1,120	897
Loan receivables *(note 24(c))*	13,385	—
Amortisation of deferred revenue	25	25
Total interest income	14,530	1,068
Government grants *(note)*	1,371	618
Sundry income	638	162
	16,539	1,848

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 (loss)/profit before taxation and assets which do not contain the 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 (loss)/profit before taxation and assets reported to the CODMs and those in the consolidated financial statements are as follows:

	2018 **RMB'000**	2017 RMB'000
Segment (loss)/profit before taxation reported to the CODMs	**(346,414)**	7,717
Add:		
Loss arising from changes in fair value less costs to sell of biological assets *(note)*	—	(5,644)
(Loss)/profit before taxation reported in the consolidated financial statements	**(346,414)**	2,073

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

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

	2018 **RMB'000**	2017 RMB'000
Segment net assets reported to the CODMs	**834,732**	1,174,388
Add:		
Loss arising from change in fair value less costs to sell of biological assets *(note)*	—	(5,644)
Net assets reported in the consolidated financial statements	**834,732**	1,168,744

Note: The amounts represent fair value change 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.

7. SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the years ended 31 December 2018 and 2017 is as follows:

	2018 RMB'000	2017 RMB'000
Hunan Province	**284,045**	527,142
Guangdong Province	**16,425**	28,406
Zhejiang Province	**59,742**	79,821
Others	**21,804**	38,618
	382,016	673,987

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 74% of the total revenue during the year ended 31 December 2018 (2017: 78%).

Information about major customers

For the year ended 31 December 2018, revenue generated from one (2017: none) customer 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 year ended 31 December 2018 (2017: none).

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

	2018 RMB'000	2017 RMB'000
Customer A *(note)*	**52,047**	N/A

Note: The revenue contributed by Customer A during the year ended 31 December 2017 was less than 10% of the Group's revenue.

8. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2018 and 2017 is as follows:

	2018 RMB'000	2017 RMB'000
Other gain or loss, net		
Gain on disposal of a subsidiary	8,069	—
Write-off of inventories	(32,476)	—
Write-off of biological assets	(33,277)	—
	(57,684)	—

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on:		
— Borrowings wholly repayable within five years	8,346	8,640

10. TAXATION

	2018 RMB'000	2017 RMB'000
Current Tax — Hong Kong		
Charge for the year	—	3,042
Over-provision in prior years	(3,449)	—
	(3,449)	3,042

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% (2017: 16.5%), and profits above HK$2 million will be taxed at 16.5% (2017:16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year. the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

10. TAXATION (Continued)

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 ("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 2017 and 2018.

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.

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:

	2018 RMB'000	2017 RMB'000
Profit before taxation	(346,414)	2,073
Tax at the applicable income tax rate	(84,144)	24
Tax exemption for subsidiary operating in the PRC	(2,514)	(4,873)
Tax effect of income not taxable for tax purpose	(719)	(54)
Tax effect of expenses not deductible for tax purpose	672	2,082
Tax effect of tax loss not recognised	86,705	5,863
Over-provision in prior years	(3,449)	—
Income tax expenses	(3,449)	3,042

11. LOSS FOR THE YEAR

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

	2018 RMB'000	2017 RMB'000
Directors' emoluments: (note 12)		
Directors' fee	**126**	309
Salaries, allowances and benefits in kind	**1,369**	1,091
Retirement scheme contributions	**60**	48
Equity-settled share-based payment	**260**	952
	1,815	2,400
Other staff costs:		
Salaries and other benefits	**14,243**	14,824
Retirement scheme contributions	**3,033**	3,369
Equity-settled share-based payment	**1,488**	6,666
Total staff costs	**20,579**	27,259
Auditors' Remuneration		
— Audit service	**1,000**	1,000
— Non-audit service	**—**	32
Bad debts written-off	**350**	—
Depreciation of property, plant and equipment	**35,139**	41,804
Written-off of property, plant and equipment	**—**	12,049
Amortisation of prepaid lease payments	**505**	941
Net foreign exchange loss	**—**	1
Equity-settled share-based payment in respect of consultants	**1,489**	—
Loss from selling of non-current biological assets	**—**	2,025
Cost of inventories recognised as expenses (note)	**385,447**	586,112
Operating lease rental expenses in respect of rented premises	**628**	715
An analysis of the loss/(gain)arising in change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised gain on disposal of financial assets at FVPL	**(7,817)**	(40,249)
Unrealised loss on financial assets at FVPL	**26,532**	7,139
	18,715	(33,110)

Note: The amount includes the service fee of approximately RMB3,798,000 paid to fattening farms for the year ended 31 December 2017.

12. DIRECTORS' EMOLUMENTS

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

	2018 RMB'000	2017 RMB'000
Directors' fees	126	309
Other emoluments:		
Salaries, allowances and benefits in kind	1,369	1,091
Retirement schemes contributions	60	48
Equity-settled share-based payment	260	952
	1,689	2,091
	1,815	2,400

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
2018					
Executive directors:					
Mr. Ding Biyan *(note (e))*	76	66	8	–	150
Mr. Chan Chi Ching *(note (a))*	–	304	15	260	579
Dr. Liu Ta-pei *(note (b))*	–	304	15	–	319
Ms. Lam Ka Lee *(note (b))*	–	304	15	–	319
Mr. Suen Man Fung *(note (f))*	–	139	7	–	146
Independent non-executive directors:					
Mr. Deng Jinping	50	50	–	–	100
Mr. Wong King Shiu, Daniel *(note (a))*	–	101	–	–	101
Mr. Wong Yuk Lun, Alan *(note (d))*	–	101	–	–	101
	126	1,369	60	260	1,815

12. DIRECTORS' EMOLUMENTS (Continued)

	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 (d))*	67	—	—	—	67
Mr. Deng Jinping	50	—	—	—	50
Mr. Liao Xiujian *(note (c))*	36	—	—	—	36
Mr. Wong King Shiu, Daniel *(note (a))*	—	104	—	—	104
Mr. Wong Yuk Lun, Alan *(note (d))*	—	51	—	—	51
	309	1,091	48	952	2,400

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

(d) 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.

(e) Mr. Ding Biyan was resigned as the director of the Company on 30 June 2018.

(f) Mr. Suen Man Fung was appointed as the director of the Company on 17 July 2018.

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.

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 2018 and 2017 respectively. None of the directors agreed to waive or waived any emoluments during the year (2017: nil).

13. EMPLOYEES EMOLUMENTS

The five highest paid individuals during the year included one executive director (2017: one). Details of whose emoluments are set out above in note 12. The detail of the emoluments of the remaining four (2017: four) highest paid individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other allowances	1,077	583
Retirement schemes contributions	46	29
Equity-settled share-based payment	1,488	4,761
	2,611	5,373

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

	2018	2017
Nil to RMB876,000 (equivalents to HK$1,000,000)	4	—
RMB876,001 to RMB1,300,000 (equivalents to HK$1,000,001 to HK$1,500,000)	—	4
	4	4

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

	2018	2017
Nil to RMB876,000 (equivalents to HK$1,000,000)	2	2
RMB876,000 to RMB1,300,000 (equivalents to HK$1,000,001 to HK$1,500,000)	—	1
	2	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.

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(342,953)	(275)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	872,726	861,183

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB342,953,000 (2017: RMB275,000) and the weighted average number of 872,726,000 (2017: 861,183,000) ordinary shares in issue during the year ended 31 December 2018.

Basic and diluted loss per share for the years ended 31 December 2018 and 2017 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2018 and 2017 and, therefore, be anti-dilutive.

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 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 and at 1 January 2018	583,272	160,258	5	9,118	2,355	755,008
Additions	—	—	—	57	200	257
Disposal of a subsidiary	(140,448)	(16,582)	—	(5,839)	(200)	(163,069)
Exchange realignment	3	—	—	31	—	34
As at 31 December 2018	442,827	143,676	5	3,367	2,355	592,230
Accumulated depreciation						
As 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 and at 1 January 2018	55,012	45,300	5	4,377	—	104,694
Provided for the year	21,073	13,654	—	412	—	35,139
Disposal of a subsidiary	(12,161)	(1,593)	—	(3,233)	—	(16,987)
Impairment loss recognised	119,870	86,315	—	1,455	—	207,640
Exchange realignment	1	—	—	10	—	11
As at 31 December 2018	183,795	143,676	5	3,021	—	330,497
Net book values						
As at 31 December 2018	**259,032**	**–**	**–**	**346**	**2,355**	**261,733**
As at 31 December 2017	528,260	114,958	—	4,741	2,355	650,314

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%

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss recognised in the current year:

In view of the current situation of the slaughterhouse and breeding farms and the spread of African Swine Fever ("ASF"), the Group considered it was an indication that the property, plant and equipment of the slaughterhouse and breeding farms were impaired. The Group carried out an impairment testing on the property, plant and equipment of the slaughterhouse and breeding farms. The recoverable amount of the property, plant and equipment for the slaughterhouse and breeding farms has been determined based on a value-in-use calculation. The value-in-use of property, plant and equipment were estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets. The value-in-use calculation using cash flow projections according to financial budgets covering an five-year period approved by the management and with pre-tax discount rate of 16.67%. The total estimated undiscounted future cash flows to be generated from continuing use of these assets during the five-year period is approximately RMB477,666,000. Cash flows beyond five-year period have been extrapolated using a steady 3% terminal growth rate.

The other key assumptions used in the estimation of value-in-use of the property, plant and equipment are as follows:

- The availability of finance will not be a constraint on the forecast growth of the slaughterhouse and breeding farms in accordance with the business plan;
- Interest rates and exchange rates in the localities for the operation of the slaughterhouse and breeding farms will not differ materially from those presently prevailing;
- Save for those proposed changes on taxation policies announced by the Tax Bureau, 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 slaughterhouse and breeding farms.
- The slaughterhouse and breeding farms shall have uninterrupted rights to operate its existing business during the unexpired term of its authorised enterprise operating period;
- The profit forecasts of the slaughterhouse and breeding farms revealed to us by the Company have been compiled based on fair and reasonable assumptions that can be materialised by the slaughterhouse and breeding farms;
- The production facilities, systems and the technology utilised by the units in carrying out its existing businesses do not infringe any relevant regulations and law;
- There will be no major changes in exisitng political, legal, economic conditions in which slaughterhouse and breeding farms is being operated.

The values assigned to key assumptions are consistent with external information sources.

As at 31 December 2018, the value-in-use amount of the property, plant and equipment of slaughterhouse and breeding farms was approximately RMB252,000,000 and impairment loss of approximately RMB207,640,000 has been recognised during the year ended 31 December 2018. No impairment loss has been recognised during the year ended 31 December 2017.

16. PREPAID LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Cost		
At the beginning of the year	**38,669**	38,669
Additions	**33**	—
Disposal of a subsidiary	**(18,562)**	—
At the end of the year	**20,140**	38,669
Accumulated amortisation		
At the beginning of the year	**5,114**	4,173
Additions	**505**	941
Disposal of a subsidiary	**(2,331)**	—
At the end of the year	**3,288**	5,114
Net book values	**16,852**	33,555

Analysed for reporting purposes as:

	2018 RMB'000	2017 RMB'000
Non-current assets	**16,397**	32,614
Current assets	**455**	941
	16,852	33,555

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

No prepaid lease payments were pledged to bank to secure the Group's banking facilities.

17. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Fair value		
At the beginning of the year	**14,158**	—
Acquisition of assets *(note 40)*	**—**	14,315
Gain arising from change in fair value of investment properties	**2,110**	13
Exchange realignment	**853**	(170)
At the end of the year	**17,121**	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:

	2018 RMB'000	2017 RMB'000
In Hong Kong		
— medium-term leases	**17,121**	14,158

The fair value of the Group's investment properties as at 31 December 2018 at RMB17,121,000 (2017: 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.

17. INVESTMENT PROPERTIES (Continued)

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

	2018 RMB'000	2017 RMB'000
Recurring fair value measurement for:		
— Office units located in Hong Kong	**17,121**	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

	2018 RMB'000	2017 RMB'000
Unlisted equity investment in the PRC, at cost	—	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% is held by 12 shareholders in 2017, who also manage the day-to-day operations of Changde Jiuding.

Upon application of HKFRS 9 on 1 January 2018, the Group has reclassified all available-for-sale investments to financial assets at fair value through other comprehensive income (note 19).

* *For identification purpose only*

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Unlisted equity investment in the PRC	**1,500**	—

Upon application of HKFRS 9, on 1 January 2018, the unlisted equity investment in the PRC was reclassified from available-for-sale investments (note 18). Please refer to note 5(c) for the fair value measurement of financial assets at FVOCI.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Held-for-trading investments:		
Equity securities listed in Hong Kong *(note (a))*	**35,124**	61,316
Derivative financial assets:		
Convertible bond *(note (b))*	—	10,069
	35,124	71,385

Notes:

(a) At 31 December 2018, the fair value of the listed equity securities, amounting to approximately RMB35,124,000 (2017: 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 to an independent third party in January 2018.

21. 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:

	2018 '000	2017 '000
Breeder hogs	—	5,543
Porkers	—	18,791
	—	24,334

Analysed for reporting purposes as:

	2018 RMB'000	2017 RMB'000
Non-current portion-breeder hogs	—	23,823
Current portion-porkers	—	7,309
At the end of the year	—	31,132

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.

21. BIOLOGICAL ASSETS (Continued)

(b) Climate, disease and other natural risks

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

The outbreak of ASF in second half year of 2018 had severely affected the pork market in the PRC. Officials are culling hogs that could be susceptible to contracting the virus in affected areas. The PRC government has also introduced a ban on transporting pigs and pork products from, as well as through, the affected provinces, which has the potential to significantly disrupt the country's pork supply chain. This ban has already affected price to an extent due to an imbalance of supply and demand between provinces, and the inability to get the hogs and the pork to where they are demanded.

The Group had received the quarantine order dated 24 October 2018 from the Agriculture Committee of Changde City* in relation to the seizure of the slaughterhouse in Changde City for a period of 42 days since it has slaughtered hogs provided from Taoyuan County. Another two breeding farms of the Group in Taoyuan County also received quarantine orders dated 24 October 2018 from the government of Taoyuan County* regarding the blockade and destruction of the two breeding farms for a period of 42 days. The Group were ordered to kill all the hogs located in these 2 breeding farms and suspend business.

As at the reporting date, the operations of the slaughterhouse and breeding farms were still suspended.

Therefore, due to the cull and seizure, the Group had written-off the biological assets of approximately RMB33,277,000, increased in the amount of death and retirement of approximately RMB30,737,000 and written-off the inventories of approximately RMB32,476,000 (note 22).

21. 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 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/(loss) arising from change in fair value less costs to sell	3,109	(8,753)	(5,644)
As at 31 December 2017 and 1 January 2018	23,823	7,309	31,132
Increase due to purchases	3,095	13,500	16,595
Increase due to raising (Feeding cost and others)	22,798	30,707	53,505
Transfer	1,502	(1,502)	—
Decrease due to retirement and deaths	(23,182)	(7,555)	(30,737)
Decrease due to African Swine Fever	(8,311)	(24,966)	(33,277)
Decrease due to sales	(19,725)	(17,493)	(37,218)
As at 31 December 2018	—	—	—

21. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets

Year ended 31 December 2017

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").

21. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets (Continued)

Year ended 31 December 2017 (Continued)

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.

21. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets (Continued)

Year ended 31 December 2017 (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
Breeder hogs	—	23,823	—	23,823
Porkers	—	7,309	—	7,309
Total biological assets	—	31,132	—	31,132

No fair value changes for the year ended 31 December 2018, since all of the biological assets has been written-off and death due to ASF as mentioned above.

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.

21. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets (Continued)

Year ended 31 December 2017 (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. 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. 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. 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. 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 in 2017.

22. INVENTORIES

	2018 RMB'000	2017 RMB'000
Chilled and frozen pork products	—	18,969
Hog feed and other consumables	—	202
	—	19,171

Due to the cull and seizure, the Group had written-off the inventories of approximately RMB32,476,000. Please refer to note 21(b) for the detail of ASF.

23. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	5,743	131,898
Less: Allowance for credit loss	(74)	—
	5,669	131,898

The Group offered credit period on sale of pork products of within 80 days. The aging analysis of trade receivables, net of allowances for credit loss, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 30 days	—	102,150
31 days to 60 days	—	29,398
61 days to 80 days	5,669	—
Over 81 days	—	350
Total	5,669	131,898

Movement in the allowances for credit losses on trade receivables, is as follow:

	2018 RMB'000	2017 RMB'000
Balance at the beginning of the year	—	—
Allowance for credit losses recognised	74	—
	74	—

23. 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 management on the collectability of overdue balances.

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

	2018 RMB'000	2017 RMB'000
Less than 30 days past due	—	350

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.

Details of the assessment for expected credit losses are set out in note 5(b).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Deposits and prepayments for property, plant and equipment *(note (a))*	**116,238**	32,247
Deposits and prepayments for biological assets	**120,000**	—
Loan receivables *(note (b))*	**260,000**	—
Other prepayments, deposits and other receivables *(note (c))*	**52,971**	2,071
	549,209	34,318
Less: Allowance for credit loss	**(728)**	—
	548,481	34,318

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Analysed for reporting purposes as:

	2018 RMB'000	2017 RMB'000
Non-current assets	**495,973**	32,247
Current assets	**52,508**	2,071
	548,481	34,318

Notes:

(a) The deposits and prepayments for property, plant and equipment as at 31 December 2018 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 2018, there was loan receivables of approximately RMB260,000,000 net of allowance for credit loss of approximately RMB259,735,000. The loan receivables were unsecured, interest bearing at 0.8% per month and repayable within five years.

(c) As at 31 December 2018, there were interest receivables of approximately RMB13,385,000 net of allowance for credit loss of approximately RMB13,264,000.

(d) Details of the assessment for expected credit loss are set out in note 5(b).

25. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2018 RMB'000	2017 RMB'000
Bank balances and cash	**8,168**	349,780

As at 31 December 2018, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB7,909,000 (2017: RMB349,043,000). 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 0.3% to 0.35% per annum as at 31 December 2018 (2017: 0.01% to 0.35% per annum).

25. BANK BALANCES AND CASH (Continued)

Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000
As at 1 January 2018	**63,313**
Cash flows	**58,877**
Disposal of a subsidiary	**(99,500)**
Net debt as at 31 December 2018	**22,690**
As at 1 January 2017	156,493
Cash flows	(101,820)
Interest expense	8,640
Net debt as at 31 December 2017	63,313

26. TRADE PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	–	82,379

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

	2018 RMB'000	2017 RMB'000
Within 30 days	–	82,379

27. ACCRUALS AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Other payables for property, plant and equipment	**100**	100
Accruals and other payables *(note (a))*	**36,811**	16,799
	36,911	16,899

Note:

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

28. BORROWINGS

	2018 RMB'000	2017 RMB'000
Unsecured:		
Bank borrowings	**17,560**	30,000
Other borrowings	**5,130**	33,313
	22,690	63,313

	2018 RMB'000	2017 RMB'000
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	**22,690**	63,313

The carrying amount of the Group's borrowings are all originally denominated in RMB and HK$.

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

	2018 %	2017 %
Fixed rate borrowings	**30.00**	4.00–30.00

29. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 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*

30. DEFERRED REVENUE

	2018 RMB'000	2017 RMB'000
Arising from government grant *(note (a))*	**327**	353

Analysed for reporting purposes as:

	2018 RMB'000	2017 RMB'000
Non-current liabilities	**302**	328
Current liabilities	**25**	25
	327	353

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.

31. SHARE CAPITAL

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

	Number of shares	Amount	
		HK$'000	RMB'000
Authorised:			
Balances as at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balances 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
Balances as at 31 December 2017 and 1 January 2018	868,470,000	8,685	7,200
Issue of shares under exercise of share options *(note (b))*	12,368,000	123	108
Balances as at 31 December 2018	**880,838,000**	**8,808**	**7,308**

Notes:

(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 of the Company dated 9 January 2017 for information regarding the Rights Issue.

(b) On 17 July 2018, the Company announced to grant a total of 45,788,000 share options with an exercise price of HK$0.207, of which 3,684,000 and 8,684,000 share options were exercised on 24 July 2018 and 11 September 2018 respectively. Details of the grant of share options are set out in the announcement of the Company dated 17 July 2018.

32. 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.

32. SHARE OPTION SCHEME (Continued)

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.

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. A total of 3,684,000 Options were granted to a Director.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2018 was 85,788,000 shares which represented approximately 9.7% of the issued share capital of the Company.

32. SHARE OPTION SCHEME (Continued)

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

Name of category of participants	Number of share option: At 1 January 2017	Grant during the year	At 31 December 2017 and 1 January 2018	Grant during the year	Exercise of share options	At 31 December 2018	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 option
Directors										
Chan Chi Ching	–	5,000,000	5,000,000	–	–	5,000,000	10/04/2017	10/04/2017 to 09/04/2027	HK$0.510	HK$0.510
	–	–	–	3,684,000	–	3,684,000	17/07/2018	17/07/2018 to 16/07/2028	HK$0.207	HK$0.203
	–	5,000,000	5,000,000	3,684,000	–	8,684,000				
Other eligible participants										
Employees and Consultants	–	35,000,000	35,000,000	–	–	35,000,000	10/04/2017	10/04/2017 to 09/04/2027	HK$0.510	HK$0.510
	–	–	–	42,104,000	(12,368,000)	29,736,000	17/07/2018	17/07/2018 to 16/07/2028	HK$0.207	HK$0.203
	–	35,000,000	35,000,000	42,104,000	(12,368,000)	64,736,000				
	–	40,000,000	40,000,000	45,788,000	(12,368,000)	73,420,000				
Weighted average exercise price (HK$)	–	0.510	0.510	0.207	0.207	0.373				

The fair value of the share option granted during the year ended 31 December 2018 was approximately RMB3,237,000 (2017: RMB7,618,000) (equivalent to approximately HK$3,836,000 (2017: HK$8,566,000), of which the recognised share option expenses of RMB3,237,000 during the year ended 31 December 2018 (2017: RMB7,618,000).

Options that were granted during the year ended 31 December 2018 have a term of ten years (2017: ten years) commencing from 17 July 2018 (2017: 10 April 2017) and shall become exercisable from the date of acceptance of the option.

32. SHARE OPTION SCHEME (Continued)

As the fair value of services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

During the year ended 31 December 2018, 12,368,000 share options were exercised (2017: nil). In respect of the share options exercised during the year ended 31 December 2018, the average market share price at the dates of exercise was HK$0.18 (2017: nil).

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$3,836,000 (2017: HK$8,566,000), approximately HK$0.08 (2017: HK$0.21) each option.

Inputs into the model

	2018	2017
Dividend yield (%)	0.66%	0.88%
Expected volatility (%)	38.72%	42.06%
Risk free interest rate (%)	2.13%	1.46%
Expected life of options (year)	10	10
Stock price (HK$ per share)	0.203	0.510

At the end of reporting period, the Company had 73,420,000 (2017: 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 73,420,000 (2017: 40,000,000) additional ordinary shares of the Company and additional share capital of HK$734,200 (2017: HK$400,000).

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Investment in subsidiaries		**14,158**	14,158
Current assets			
Financial assets at fair value through profit or loss		**35,124**	71,385
Prepayments		**153**	210
Amounts due from subsidiaries		**411,006**	389,550
Bank balances and cash		**147**	598
		446,430	461,743
Current liabilities			
Accruals and other payables		**7,203**	2,854
Amounts due to a subsidiaries		**1,066**	1,011
Borrowings		**22,690**	33,313
Tax payable		**—**	5,534
		30,959	42,712
Net current assets		**415,471**	419,031
Total assets less current liabilities		**429,629**	433,189
Net assets		**429,629**	433,189
Equity			
Share capital	30	**7,308**	7,200
Reserves		**422,321**	425,989
Total equity		**429,629**	433,189

The financial statement was approved and authorised for issue by the board of directors of the Company on 27 March 2019 and are signed on its behalf by:

Chan Chi Ching
Executive Director

Lam Ka Lee
Executive Director

34. 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 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 31(a))*	125,819	—	—	—	125,819
Share issue expenses	(2,386)	—	—	—	(2,386)
Recognition of equity-settled share-based payment expenses *(note 32)*	—	7,618	—	—	7,618
As at 31 December 2017 and 1 January 2018	442,233	7,618	1,097	(24,959)	425,989
(Loss)/profit and total comprehensive loss for the year	—	—	21,623	(30,667)	(9,044)
Issue of shares under exercise of share options *(note 31(b))*	3,014	(875)	—	—	2,139
Recognition of equity-settled share-based payment expenses *(note 32)*	—	3,237	—	—	3,237
As at 31 December 2018	**445,247**	**9,980**	**22,720**	**(55,626)**	**422,321**

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years ended 31 December 2018 and 2017.

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

35. CAPITAL RISK MANAGEMENT (Continued)

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

	2018 RMB'000	2017 RMB'000
Total borrowings *(note (a))*	**22,690**	63,313
Total equity attributable to the owners of the Company *(note (b))*	**831,265**	1,165,265
Gearing ratio	**2.7%**	5.4%

Notes:

(a) Total borrowings represents borrowings.

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

36. 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$1,500 (2017: HK$: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 (2017: 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 RMB3,093,000 (2017: RMB3,417,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

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:

	2018 RMB'000	2017 RMB'000
Within one year	410	267
In the second to fifth years, inclusive	73	257
After five years	175	370
	658	894

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

	2018 RMB'000	2017 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	28,392	2,418

39. MATERIAL RELATED PARTY TRANSACTIONS

Disclosed elsewhere in 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:

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 2018 and 2017 is set out in note 12.

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 2018 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
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
Excellence 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

41. PRINCIPAL SUBSIDIARIES (Continued)

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
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*

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

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods design, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2019.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2018

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				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**382,016**	673,987	1,154,016	1,514,428	1,202,419
Cost of sales	**(389,254)**	(645,985)	(1,044,712)	(1,346,758)	(1,047,945)
Gross (loss)/profit	**(7,238)**	28,002	109,304	167,670	154,474
Other income	**16,539**	1,848	4,016	5,777	4,887
Other gain or loss, net	**(57,684)**	—	—	—	—
Gain arising from change in fair value of investment properties	**2,110**	13	—	—	—
Gain/(loss) arising from change in fair value less costs to sell of biological assets	**–**	(5,644)	16,259	(363)	(2,361)
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss	**(18,715)**	33,110	27,709	—	—
Impairment loss of property, plant and equipment	**(207,640)**	—	—	—	—
Selling and distribution expenses	**(6,310)**	(11,194)	(21,366)	(21,424)	(16,549)
Administrative expenses	**(59,130)**	(35,422)	(54,558)	(25,595)	(26,237)
Finance costs	**(8,346)**	(8,640)	(9,361)	(8,693)	(10,101)
(Loss)/profit before taxation	**(346,414)**	2,073	72,003	117,372	104,113
Taxation	**3,449**	(3,042)	(2,684)	—	—
(Loss)/profit for the year	**(342,965)**	(969)	69,319	117,372	104,113
(Loss)/profit for the year attributable to:					
Owners of the Company	**(342,953)**	(275)	70,701	116,694	103,612
Non-controlling interests	**(12)**	(694)	(1,382)	678	501
	(342,965)	(969)	69,319	117,372	104,113

FIVE YEARS FINANCIAL SUMMARY (CONTINUED)

For the year ended 31 December 2018

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				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**894,660**	1,337,222	1,243,352	1,227,155	971,251
Total liabilities	**(59,928)**	(168,478)	(205,998)	(310,473)	(245,525)
Total equity	**834,732**	1,168,744	1,037,354	916,682	725,726