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

GLOBAL OFFERING

Sponsor

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Global Coordinator, Bookrunner and Lead Manager

信達國際證劵有限公司
CINDA INTERNATIONAL SECURITIES LIMITED

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

HUISHENG INTERNATIONAL HOLDINGS LIMITED
惠 生 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**120,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**12,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**108,000,000 Shares, comprising 88,000,000 New Shares and 20,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$2.05 per Offer Share and expected to be not less than HK$1.45 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1340**

Sponsor

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Global Coordinator, Bookrunner and Lead Manager

信達國際證券有限公司
CINDA INTERNATIONAL SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around Friday, 21 February 2014 or such later time as may be agreed by the parties, but in any event, not later than Thursday, 27 February 2014. The Offer Price will not be more than HK$2.05 per Offer Share and is currently expected to be not less than HK$1.45 per Offer Share. Investors applying for Offer Shares must pay the maximum Offer Price of HK$2.05 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price finally determined is lower than HK$2.05 per Offer Share. If, for any reason, the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement on the Offer Price by Thursday, 27 February 2014, the Global Offering will not become unconditional and will lapse immediately.

The Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below as stated in this prospectus at any time but not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. In the case of such reduction, an announcement will be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.hsihl.com. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, and in particular, the risk factors set out in the section headed "Risk factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement, the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws in the United States, and may not be offered or sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable state securities laws in the US. The Offer Shares are being offered only outside of the United States in offshore transactions in reliance on Regulations S.

17 February 2014

	2014[1]
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Friday, 21 February
Application lists of the Hong Kong Public Offer open[3]	11:45 a.m. on Friday, 21 February
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, 21 February
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 21 February
Application lists of the Hong Kong Public Offer close[3]	12:00 noon on Friday, 21 February
Expected Price Determination Date[5]	Friday, 21 February
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offer, the indication of the levels of interest in the International Offering and the results of applications and basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk**[6] and our Company's website at **www.hsihl.com**[7] and in The Standard (in English) and Hong Kong Economic Journal (in Chinese) on or before	Thursday, 27 February
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" from	Thursday, 27 February
Results of allocations in the Hong Kong Public Offer to be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function on	Thursday, 27 February
Despatch of share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before[8]	Thursday, 27 February
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before[9]	Thursday, 27 February
Dealings in Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on	Friday, 28 February

Notes:

(1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offer, are set out in the section headed "Structure of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published on our Company's website at **www.hsihl.com** and the website of the Stock Exchange at **www.hkexnews.hk** and in The Standard (in English) and Hong Kong Economic Journal (in Chinese).

(2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 21 February 2014, the application lists will not open and close on that day. Please see paragraph headed "10. Effect of bad weather on the opening of the application lists" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus. If the application lists do not open and close on Friday, 21 February 2014, the dates mentioned in this section headed "Expected timetable" may be affected. A press announcement will be made by us in such event.

(4) Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

(5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 21 February 2014 and in any event, not later than Thursday, 27 February 2014. If, for any reason, the final Offer Price is not agreed by Thursday, 27 February 2014 between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), the Global Offering will not proceed and will lapse.

(6) The announcement will be available for viewing on the "Main Board — Allotment of results" page on the website of the Stock Exchange at **www.hkexnews.hk**.

(7) None of the websites or any of the information contained on those websites form part of this prospectus.

(8) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more and have indicated in their applications that they wish to collect any share certificate(s) (if applicable) and/or refund cheque(s) (if applicable) in person, they may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 February 2014 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives each bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

(9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-

named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

Share certificates for the Offer Shares are expected to be issued on Thursday, 27 February 2014 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Global Coordinator, the Bookrunner, the Lead Manager, the Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

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This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

We are one of the largest pork suppliers in terms of revenue in 2012 in Changde, Hunan Province, the PRC, principally engaged in the production and sale of pork products. Our operation mainly involves hog slaughtering as well as hog breeding and hog farming. The majority of our revenue was generated from the sale of pork products to customers in Hunan Province, the PRC. As at the Latest Practicable Date, our Wuling Slaughterhouse was one of the 12 "Class A Hog Slaughtering Enterprises* (A類合格生豬定點屠宰企業)"*(Note 1)* in Changde recognised by the People's Government of Changde in 2013 and also the only slaughterhouse authorised by the People's Government of Changde in Changde City Areas, while the other 11 "Class A Hog Slaughtering Enterprises" were located in other areas of Changde. For the year ended 31 December 2012, our total production volume of pork products was approximately 52,754 tons, representing approximately 12.7% of total output volume of pork in Changde*(Note 2)*. According to the Ipsos Report, the hog industry*(Note 3)* in Hunan Province and the PRC is fragmented with no single player sharing more than 2% and 5% of the market value in 2012 respectively. In terms of revenue in 2012, according to the Ipsos Report, our Company ranked first in Changde, third in Hunan Province and within the top 20 among the 2,400 large-scale slaughterhouses in the PRC.

We commenced our hog slaughtering operations and the construction of our Health Breeding Farm in January 2008. During the Track Record Period, more than 90% of the total number of hogs that we slaughtered were purchased from third party suppliers. With a view to ensuring the quality of our pork products and further expanding our output capacity of hogs, we developed our own Breeding and Farming Model to enhance our vertical integration, which involves the specialisation of mating, pregnancy and nursing technique of piglets and outsourcing of fattening process to local Fattening Farms to gradually expand our hog farming capacity.

We expanded our range of pork products from fresh pork and side products to include chilled and frozen pork products in mid-2008 and seasonal processed pork products, including cured pork and sausages by the end of 2008. Our customers include operators of Cooperative Retail Shops, supermarkets, wet markets pork traders, pork product traders and food processing factories.

Over the years, we have received a number of awards from various authorities in the PRC, including but not limited to the "Leading Enterprise of Industrialisation of Agriculture in Hunan Province* (湖南省農業產業化龍頭企業)", "Grade A Quality Assurance Enterprise of Hunan Province* (湖南省質量信用A級企業)",

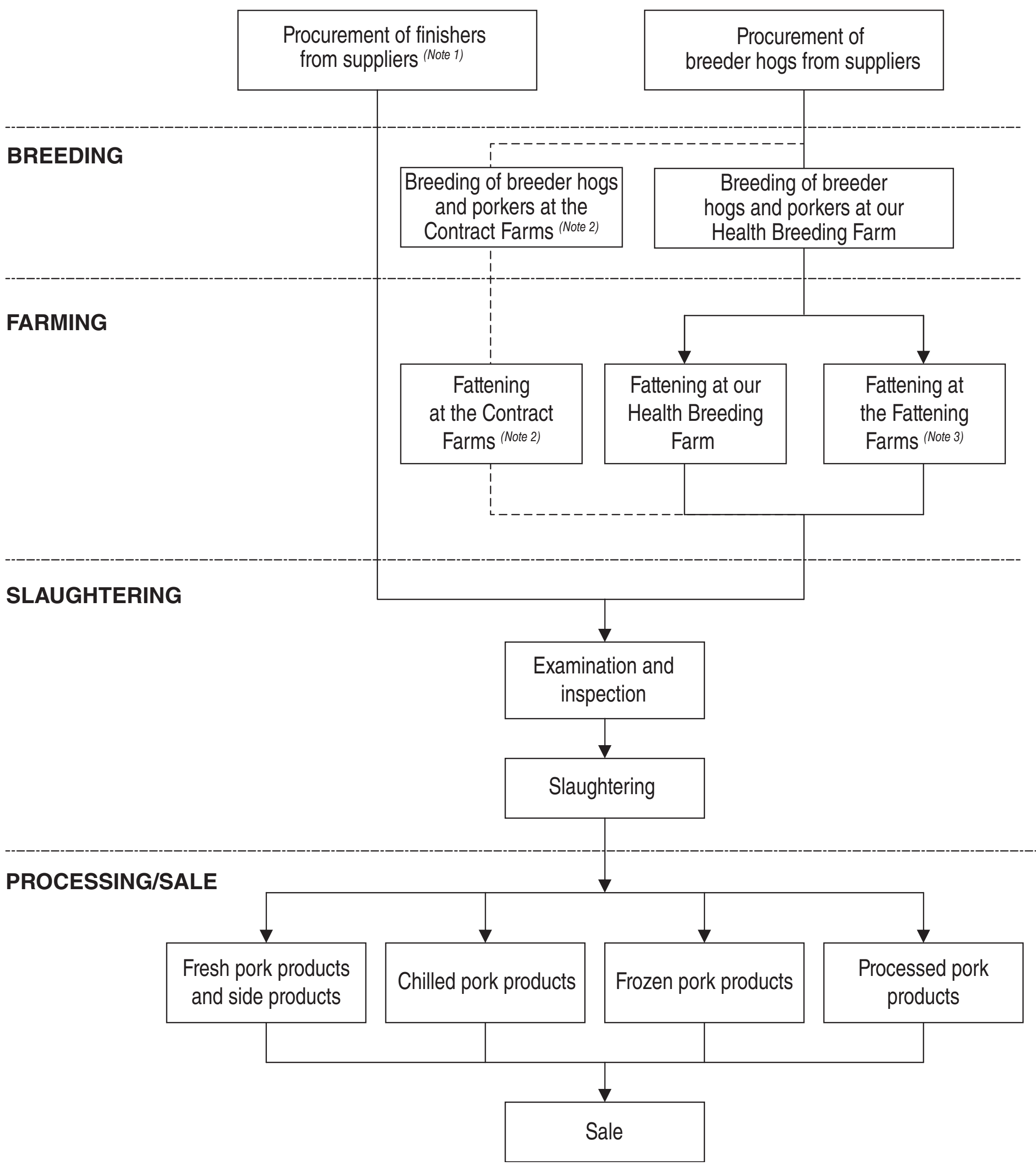
Notes:

1. *Pursuant to the Administrative Provisions for Hog Slaughtering* (生豬屠宰管理條例), hog slaughtering enterprises are classified into two classes according to different levels of compliance requirements. Hog slaughtering enterprises which could comply with the legal requirements in the Administrative Provisions for Hog Slaughtering (生豬屠宰管理條例) and the requirements of the standards of inspection and recertification which are set out in the Notice on Strictly Implementing the Standards of Inspection and Recertification for Hog Slaughtering Enterprises (關於嚴格執行生豬定點屠宰企業審核換證標準的通知) are classified as class A, and they are required to adhere to state level administrative rules and regulations. Class B hog slaughtering enterprises are in general smaller in scale and located in rural districts, and they are required to adhere to local administrative rules and regulations.*

2. *Our Group's market share in Changde was calculated with reference to the total output volume of pork in Changde in 2012 reported in The Statistic Yearbook in Hunan 2013 (湖南統計年鑒2013) and the total production volume of pork products (excluding hogs slaughtered for other individual slaughterers) of our Group in 2012.*

3. *Hog industry comprises hog husbandry, hog slaughtering and pork distribution.*

"Model Corporation of Food Safety 2011* (2011年度食品安全示範單位)", "Promising Corporation of Food Safety 2011* (2011年度食品安全承諾單位)", "Model Standardised Venue for Hog Farming* (生豬標準化示範場)" and "Advanced Corporation in Environmental Protection* (環保先進企業)". We have also obtained ISO9001 and ISO22000 accreditations for our quality management system and food safety management system respectively. Our trademark "歪脖脖" has been awarded as "Well-known Trademark in the PRC* (中國馳名商標)" and "Well-known Trademark of Hunan Province* (湖南省著名商標)" to signify our recognised position in the hog industry in Hunan Province. The following chart generally illustrates our business model during the Track Record Period and up to the Latest Practicable Date:



Notes:

1. *During the Track Record Period, more than 90% of the hogs which we slaughtered were procured from third party suppliers.*
2. *During the Track Record Period and up to June 2013, we also entered into cooperation agreements with a total of four Contract Farmers in relation to the operation of four Contract Farms. Such arrangements were ceased as at the Latest Practicable Date. Please refer to the paragraph headed "Contract Farms" in the section headed "Our business" in this prospectus for further details.*
3. *We commenced engaging Fattening Farmers to provide hog farming services to us since May 2011. Please refer to the paragraph headed "Fattening Farms" in the section headed "Our business" in this prospectus for further details.*

BREEDING AND FARMING

As at the Latest Practicable Date, we had one Health Breeding Farm with an area of approximately 41,533.5 sq.m. and annual maximum output capacity of approximately 50,000 hogs. We also outsourced fattening process to 33 Fattening Farmers by providing weaners bred from our Health Breeding Farm to these Fattening Farms for further farming. We plan to recruit more Fattening Farmers in the future so as to expand our farming capacity and to maintain a stable supply of quality hogs from these Fattening Farms. We were also in the final stage of construction of the Linli New Breeding Farm with an area of approximately 36,000 sq.m. and planned maximum farming capacity of approximately 2,160 sows and an expected annual maximum output capacity of approximately 43,000 piglets, which has been put into trial operation since November 2013. We are further planning to construct the Three New Breeding Farms with a total maximum farming capacity of approximately 5,500 sows and annual maximum output capacity of approximately 110,000 piglets. Going forward, we plan to increase our number of breeder hogs mainly through purchasing from third party suppliers in addition to breeding our own breeder hogs and our Directors do not foresee difficulties for our Group to source breeder hogs.

SLAUGHTERING AND PORK PROCESSING

Our Wuling Slaughterhouse has a total site area of approximately 33,251 sq.m. and with maximum slaughtering capacity of approximately 720,000 hogs per year and maximum processing capacity of our carving operation of approximately 12,600 tons of pork products per year. We also provided slaughtering services to other individual slaughtermen, the revenue of which accounted for less than 0.1% of our total revenue during the Track Record Period. We are currently constructing our New Production Base which is intended to be completed in two phases. Phase one development comprises a new slaughterhouse with an annual maximum slaughtering capacity of approximately 1,000,000 hogs and pork carving facilities with annual maximum capacity of approximately 30,000 tons of pork as well as freezer storage facilities, all of which has been put into trial operation since December 2013. Phase two development comprises additional pork processing facilities and freezer storage facilities, and is expected to be put into trial operation around the second quarter and end of 2014 respectively. During the trial operation of phase one development, the New Production Base will gradually take over the hog slaughtering and pork processing operation of the Wuling Slaughterhouse. Our Directors currently plan to retain the usable facilities and machinery of the Wuling Slaughterhouse and dispose of the land and premises to other parties at prevailing fair market value after the New Production Base has taken over the hog slaughtering and pork processing operation in full.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, utilisation rates of our slaughtering facilities of the Wuling Slaughterhouse was approximately 80.8%, 95.0%, 98.0% and 98.2% respectively and the utilisation rate of our carving facilities of the Wuling Slaughterhouse was approximately 98.4%, 107.7%, 110.2% and 124.9% respectively.

A breakdown of the sources and nature of hogs slaughtered by us during the Track Record Period is set out below:

	For the year ended 31 December						**For the nine months ended 30 September**	
	2010		**2011**		**2012**		**2013**	
	no. of hogs	*% to total*	*no. of hogs*	*% to total*	*no. of hogs*	*% to total*	*no. of hogs*	*% to total*
Hogs purchased from suppliers	545,265	93.8%	643,422	94.0%	669,263	94.9%	503,262	94.9%
Hogs farmed in								
— Health Breeding Farm	*10,723*	*1.8%*	*14,064*	*2.1%*	*13,831*	*2.0%*	*5,668*	*1.1%*
— Contract Farms	*10,010*	*1.7%*	*14,794*	*2.2%*	*4,591*	*0.6%*	*2,822*	*0.5%*
— Fattening Farms	*—*	*—*	*330*	*0.0%*	*9,371*	*1.3%*	*10,009*	*1.9%*
	20,733	3.5%	29,188	4.3%	27,793	3.9%	18,499	3.5%
Hogs slaughtered under slaughtering services	15,436	2.7%	11,465	1.7%	8,403	1.2%	8,710	1.6%
	581,434	100.0%	684,075	100.0%	705,459	100.0%	530,471	100.0%

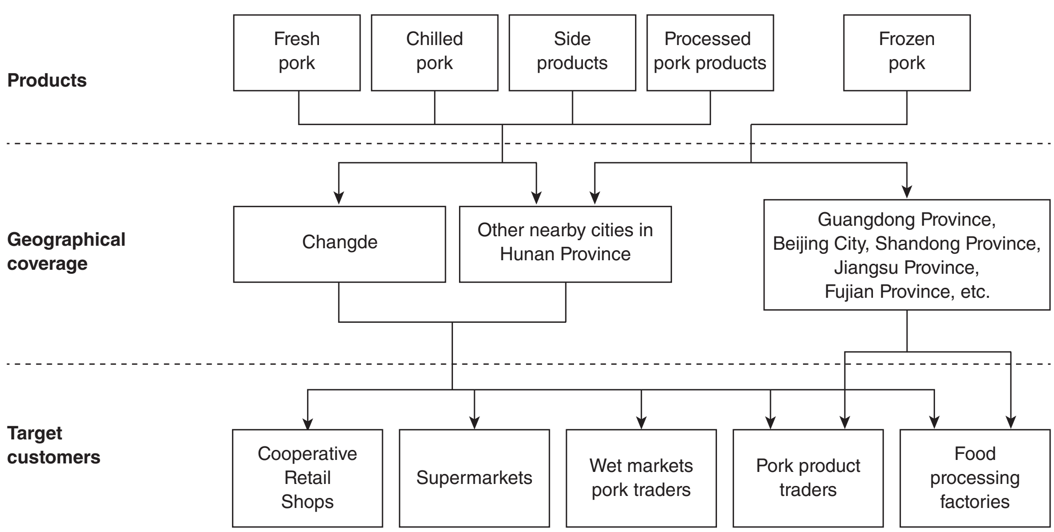
The following table sets out the gross profit margins of our pork products produced from hogs procured from third party suppliers and hogs farmed by our Breeding Farms and Fattening Farms during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	Gross profit margin %	*Gross profit margin* %	*Gross profit margin* %	*Gross profit margin* % (unaudited)	*Gross profit margin* %
Pork products produced from:					
— Hogs procured from third party suppliers	12.9	13.7	12.0	11.9	13.0
— Hogs farmed by our Breeding Farms and Fattening Farms	18.4	36.7	27.9	30.5	16.3

Please refer to the paragraph headed "Gross profit and gross profit margin" in the section headed "Financial information" in this prospectus for the reasons for the fluctuation in the above gross profit margins.

SALES AND CUSTOMERS AND SUPPLIERS

The following chart generally illustrates our sales model as at the Latest Practicable Date:



For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, we had a total of 135, 218, 212 and 145 customers in addition to the operators of Cooperative Retail Shops. During the same period, our sales to our five largest customers represented approximately 20.9%, 21.2%, 16.3% and 19.0% of our total revenue respectively while our sales to the largest customer represented approximately 6.1%, 6.2%, 3.6% and 4.8% of our total revenue respectively. Our five largest customers for the Track Record Period had business relationship with our Group ranging from around one to six years as at the Latest Practicable Date.

During the Track Record Period, our principal purchases from suppliers include finishers for production of pork products, hog feed and breeder hogs for breeding in our Breeding Farms. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our Group had purchased from 356, 357, 365 and 287 hog suppliers respectively. During the same period, our purchases from the five largest suppliers represented approximately 18.5%, 25.6%, 22.5% and 24.2% of our total purchases respectively while our purchases from the largest supplier represented approximately 4.0%, 5.4%, 4.7% and 5.1% of our total purchases respectively.

COMPETITIVE STRENGTHS

We believe that our competitive strengths mainly lie in being well positioned and having our own Breeding Farms and production base to capitalise on the consolidation trend of the hog industry in the PRC and locating in Hunan Province which is one of the major provinces for pork industry in the PRC. We also have the competitive edge of maintaining high standards of hygiene resulting in our well-recognised brand name of "歪脖脖" and having a stable and diversified customer base within and beyond Hunan Province.

BUSINESS STRATEGIES

Our principal business strategies are ultimately streamlining and vertically-integrating our operations. Our Linli New Breeding Farm has commenced trial production in November 2013 and the construction of our Three New Breeding Farms is expected to be completed around the third to fourth quarter of 2014. The phase one of our New Production Base has been put into trial operation since December 2013 and the additional pork processing facilities and freezer storage facilities of the phase two development are expected to commence trial operation around the second quarter and end of 2014 respectively. Please refer to the paragraph headed "Our business strategies — continue to expand our operations and ultimately streamlining and vertically-integrating our operations" in the section headed "Our business" in this prospectus for the details of our expansion plans.

We will strive to continue to expand and diversify our product offerings and increase our market coverage so as to become a flagship pork supplier in Hunan Province and further expand to other markets.

PRE-IPO INVESTORS

On 8 August 2011, Mr. Yau entered into an equity transfer agreement with the then shareholders of Hunan Huisheng (Mr. Ding and the Other Initial Shareholders) for the acquisition of an aggregate of 25% equity interests in Hunan Huisheng at a total consideration of RMB13,860,000 in cash. The consideration was irrevocably and completely settled on 27 October 2011. As a step of the Reorganisation, Mr. Yau transferred his 25% equity interest in Hunan Huisheng to Hong Kong Huisheng in return of our Company issuing and allotting 500 Shares, credited as fully paid on 29 December 2011. Mr. Yau has not been granted any special rights pursuant to the above-mentioned equity transfer agreement. On 27 July 2013, our Company allotted and issued 419 Shares to Hunan HTVC at a cash consideration of HK$24,844,400 pursuant to an investment agreement entered into among our Company, Hunan HTVC and Mr. Ding. The consideration was fully settled on 27 July 2013. Hunan HTVC has been granted certain special rights pursuant to the abovementioned investment agreement, which are set out in the paragraph headed "Pre-IPO investments — Hunan HTVC's investment" in the section headed "Corporate history, development and Reorganisation". Among these rights, those set out in the paragraphs headed "Profit guarantee" and "Non-competition undertaking" will continue after Listing, while those set out in the paragraphs headed "Information rights", "Anti-dilution rights", "Right of first refusal and tag-along rights" and "Put option" will be terminated upon Listing. Upon the completion of the Global Offering, Mr. Yau and Hunan HTVC will hold approximately 3.6% and 3.0% of the issued share capital of our Company respectively. The relevant Shares held by Mr. Yau will not be counted as part of the public float of our Shares and those held by Hunan HTVC will be counted as part of the public float of our Shares. For details of the pre-IPO investments, please refer to the paragraph headed "Pre-IPO investments" in the section headed "Corporate history, development and Reorganisation" in this prospectus.

CONTROLLING SHAREHOLDERS INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 42.9% and 20.5% by Huimin and Jisheng respectively. Huimin is wholly owned by Mr. Ding, and Jisheng is wholly owned by Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍) and Ms. Li Xianjie (李賢杰).

HISTORICAL NON-COMPLIANCE INCIDENTS

There had been instances where our Group failed to comply with certain applicable laws and regulations in Hong Kong and the PRC during the Track Record Period, including: (i) construction of our Health Breeding Farm on the land where it is located was in breach of the land use rights as it was designated only for basic farming; (ii) failing to obtain final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of the construction of our Health Breeding Farm before its commencement of operation; (iii) failing to make contributions to the social insurance in full and did not open accounts of, nor made any contribution to the housing provident fund for our employees; (iv) directors of Hong Kong Huisheng failing to lay audited financial statements of Hong Kong Huisheng before its annual general meetings; and (v) failing to hold annual general meetings in accordance with the requirements of the Companies Ordinance. Please refer to the paragraph headed "Regulatory compliance" in the section headed "Our business" in this prospectus for details of such non-compliance incidents and the respective rectification actions taken.

SUMMARY OF FINANCIAL INFORMATION

Highlights of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	754,168	1,073,892	1,047,620	789,520	803,901
Gross profit	98,500	157,629	132,229	98,998	104,121
Gain/(losses) arising from changes in fair value less costs to sell of biological assets	1,124	(45)	(3,327)	(3,987)	(799)
Profit for the year/period	80,471	127,529	94,093	67,631	69,919
Basic and diluted earnings per Share (RMB cents)	26.8	42.5	31.4	22.5	23.3

Our revenue and gross profit increased by approximately 42.4% and 60.0% respectively for the year ended 31 December 2011, which was primarily attributable to the increase in the sales volume and overall average selling price of our major pork products by approximately 18.1% and 19.7% respectively driven by the increasing demand of pork products in the PRC. Our revenue and gross profit decreased by approximately 2.4% and 16.1% respectively for the year ended 31 December 2012, which was primarily attributable to the decrease in the overall average selling price of our major pork products by approximately 7.0% which was in line with the decrease in overall market price of pork in the PRC. As compared to the nine months ended 30 September 2012, our revenue and gross profit increased by approximately 1.8% and 5.2% respectively for the nine months ended 30 September 2013 resulted from the increase in sales volume of our major pork products by approximately 2.6% partially offset by the slight decrease in overall average selling prices of our major pork products by approximately 1.0%. For details of the fluctuation of revenue, gross profit and earnings per Share during the Track Record Period, please refer to the paragraph headed "Period to period comparison of results of operations" in the section headed "Financial information" in this prospectus. The following tables set out a breakdown of our revenue, gross profit and gross profit margin by product categories during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Revenue										
Fresh pork	252,001	33.4	360,442	33.6	372,322	35.5	276,423	35.0	355,782	44.3
Chilled pork	225,080	29.9	349,564	32.6	294,948	28.2	229,453	29.1	157,217	19.6
Frozen pork	178,696	23.7	228,243	21.3	239,123	22.8	178,213	22.6	183,414	22.8
Side products	97,646	12.9	127,157	11.7	137,373	13.1	104,167	13.2	103,871	12.9
Others *(Note)*	745	0.1	8,486	0.8	3,854	0.4	1,264	0.1	3,617	0.4
Total	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	Gross profit RMB'000	*Gross profit margin (%)*	*Gross profit RMB'000*	*Gross profit margin (%)*	*Gross profit RMB'000*	*Gross profit margin (%)*	*Gross profit RMB'000* (unaudited)	*Gross profit margin (%)*	*Gross profit RMB'000*	*Gross profit margin (%)*
Fresh pork	19,066	7.6	41,387	11.4	19,706	5.3	16,315	5.9	23,771	6.7
Chilled pork	15,768	7.0	36,554	10.5	13,468	4.6	10,662	4.6	11,074	7.0
Frozen pork	2,343	1.3	4,344	1.9	18,214	7.6	13,416	7.5	6,894	3.8
Side products	61,541	63.0	72,400	56.9	79,472	57.9	58,391	56.1	62,012	59.7
Others *(Note)*	(218)	(29.3)	2,944	34.7	1,369	35.5	214	16.9	370	10.2
	98,500	13.1	157,629	14.7	132,229	12.6	98,998	12.5	104,121	13.0

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

Our biological assets were revalued at each reporting date by the Valuer, with any resultant gain or loss recognised in profit or loss for the year/period in which it arose. We recognised gain arising from changes in fair value less costs to sell of biological assets of approximately RMB1.1 million for the year ended 31 December 2010 and losses arising from changes in fair value less costs to sell of biological assets of approximately RMB0.1 million, RMB3.3 million and RMB0.8 million for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 respectively. Please refer to the paragraph headed "Biological assets" in the section headed "Financial information" in this prospectus for further details.

Highlights of Consolidated Statements of Financial Position

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	67,109	87,770	155,124	267,084
Current assets	170,940	346,372	340,150	407,278
Current liabilities	110,113	224,731	191,491	183,973
Net current assets	60,827	121,641	148,659	223,305
Non-current liabilities	7,000	1,360	1,339	56,967
Net assets	120,936	208,051	302,444	433,422

Highlights of Consolidated Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	130,110	152,100	76,469	64,128	75,318
Net cash used in investing activities	(32,697)	(72,235)	(78,115)	(40,315)	(119,463)
Net cash (used in)/generated from financing activities	(59,701)	52,588	(2,434)	(6,106)	108,688
Net increase/(decrease) in cash and cash equivalents	37,712	132,453	(4,080)	17,707	64,543
Cash and cash equivalents at the beginning of the year/period	37,042	74,638	206,703	206,703	202,613
Effect of exchange rate changes	(116)	(388)	(10)	(27)	1,448
Cash and cash equivalents at the end of the year/period	74,638	206,703	202,613	224,383	268,604

Taxation

According to the Notice Issued by Ministry of Finance and State Administration of Taxation of the PRC in Relation to the Scope of Corporate Income Tax Preferential Treatment Policy Applicable to Agricultural Products Which Have Undergone Primary Processing (Trial)*《財政部國家稅務總局關於發布享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》, incomes of enterprises arising from breeding and farming of hogs (including sale of hogs bred and farmed by our Group) and the primary processing of agricultural products and livestock breeding are exempt from the PRC EIT. The State Administration of Taxation of Wuling District of Changde City, being the competent authority as advised by our PRC Legal Advisers, agreed that Hunan Huisheng was exempted from the PRC EIT for years 2010, 2011, 2012 and 2013 pursuant to the above mentioned notice. We are required to file the applications for the exemption of the PRC EIT to the relevant regulatory authority every year so as to obtain approvals for such exemption. On the basis that our operations of sale of pork products produced from hogs bred and farmed by us, hog slaughtering and pork processing will remain unchanged and the relevant laws and rules in relation to the exemption of the PRC EIT is assumed to remain unchanged, save for incomes to be derived from the sale of processed pork products according to our future expansion plans, such as cooked pork, quick frozen food and pork bones-related products, which do not fall into the category of primary processing of agricultural products as advised by our PRC Legal Advisers, our Directors are of the view that we will continue to be entitled to enjoy the exemption of the PRC EIT.

Our key financial ratios

	As at/for the year ended 31 December			As at/for the nine months ended 30 September	
	2010	2011	2012	2012	2013
				(unaudited)	
Current ratio*(Note 1)*	1.6	1.5	1.8	Not applicable	2.2
Gearing ratio*(Note 2)*	12.4%	30.6%	22.1%	Not applicable	25.9%
Net profit margin*(Note 3)*	10.7%	11.9%	9.0%	8.6%	8.7%
Return on equity*(Note 4)*	72.1%	77.5%	36.9%	27.9%	19.0%
Interest coverage*(Note 5)*	103.3x	89.9x	16.9x	16.1x	9.6x

Notes:

1. Current ratio represents current assets divided by current liabilities.

2. Gearing ratio represents total debts (summation of borrowings, notes payable, loan from government and amount due to a Shareholder) divided by total equity and multiplied by 100%.

3. Net profit margin equals profit for the year/period divided by the revenue of the respective year/period.

4. Return on equity equals profit for the year/period divided by the average of total equity at the beginning and the end of year/period and multiplied by 100%.

5. Interest coverage equals profit before interest and tax divided by finance costs for the year/period.

Our current ratio remained relatively stable at approximately 1.6 and 1.5 as at 31 December 2010 and 2011 respectively. It increased to approximately 1.8 as at 31 December 2012 primarily attributable to the decrease in trade payables resulted from repayment to our suppliers before the year end of 2012. The increase in our current ratio to approximately 2.2 as at 30 September 2013 primarily attributable to the increase in bank balances and cash as at 30 September 2013 due to the proceeds from the issue of notes in January 2013.

Our gearing ratio increased from approximately 12.4% as at 31 December 2010 to approximately 30.6% as at 31 December 2011 mainly attributable to the increase in total debts by approximately 325.3% due to the increase in a loan from a financial institution in 2011. Our gearing ratio decreased to approximately 22.1% as at 31 December 2012 mainly attributable to the increase in our equity by approximately 45.4% contributed by the profit for the year ended 31 December 2012. Our gearing ratio increased to approximately 25.9% as at 30 September 2013 mainly attributable to the increase in total debts by approximately 67.7% due to the issue of notes in January 2013.

Our net profit margin increased from approximately 10.7% for the year ended 31 December 2010 to approximately 11.9% for the year ended 31 December 2011 primarily attributable to the improvement in gross profit margin as a result of the increase in average selling prices of our major pork products driven by the increase in the market price of pork in the PRC in 2011. Our net profit margin decreased to approximately 9.0% for the year ended 31 December 2012 primarily attributable to the greater amount of losses recognised from changes in fair value less costs to sell of biological assets in 2012 and the decrease in gross profit margin as a result of the decrease in average selling prices of our major pork products driven by the decrease in market price of pork in the PRC in 2012. Our net profit margin increased from approximately 8.6% for the nine months ended 30 September 2012 to approximately 8.7% for the nine months ended 30 September 2013 primarily attributable to the improvement in gross profit margins as a result of the decrease in average cost of hogs purchased from third party suppliers driven by the decrease in the market price of hogs during the nine months ended 30 September 2013.

Our return on equity increased from approximately 72.1% for the year ended 31 December 2010 to approximately 77.5% for the year ended 31 December 2011 mainly attributable to the increase in profit for the year ended 31 December 2011 as a result of the increase in the sales volume and overall average selling price of our major pork products in 2011, while the decrease in our return on equity to approximately 36.9% for the year ended 31 December 2012 was mainly attributable to the decrease in profit for the year ended 31 December 2012 resulted from the decrease in overall average selling prices of our major pork products. Our return on equity decreased from approximately 27.9% for the nine months ended 30 September 2012 to approximately 19.0% for the nine months ended 30 September 2013 mainly attributable to the increase in our average equity by approximately RMB125.9 million for the nine months ended 30 September 2013 as a result of the issuance of new shares of our Company, shareholders' contribution and the establishment of a subsidiary during this period.

Our interest coverage was approximately 103.3 times, 89.9 times, 16.9 times, 16.1 times and 9.6 times for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 respectively. The decrease in interest coverage during the Track Record Period was mainly due to the increase in our finance cost on borrowings and notes.

For details, please refer to the paragraphs headed "Period to period comparison of results of operations" and "Other key financial ratios" in the section headed "Financial information" in this prospectus.

Listing expenses

The listing expenses to be borne by our Company are currently estimated to be approximately RMB31.5 million, of which approximately RMB7.9 million is directly attributable to the Global Offering and to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately RMB23.6 million is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which approximately RMB5.2 million, RMB6.0 million and RMB6.8 million were charged to the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 respectively, and approximately RMB5.6 million is expected to be charged after the Track Record Period.

OUR LATEST DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure has remained unchanged since 30 September 2013. Based on our unaudited management accounts, our monthly average of revenue and gross profit for the four months ended 31 January 2014 improved as compared to the monthly average of revenue and gross profit for the nine months ended 30 September 2013. Such increase in revenue was primarily attributable to the increase in the overall average selling prices and sales volume of our major pork products for the four months ended 31 January 2014 by approximately 4.2% and 6.8% respectively when compared to those for the nine months ended 30 September 2013.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2013 with specific reference to the trading results during the three months ended 31 December 2013 and there has been no event since 30 September 2013 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2013

Our Directors estimate that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in the section headed "Profit estimate" in Appendix III to this prospectus, the estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 is as follows.

Estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 *(Note 1)*	not less than RMB100.0 million (equivalent to approximately HK$127.0 million)
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2013 *(Note 2)*	not less than RMB0.25 (equivalent to approximately HK$0.32)

Notes:

1. The basis and assumptions on which the estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 have been prepared are summarised in the section headed "Profit estimate" in Appendix III to this prospectus. Such estimated consolidated profit includes the estimated listing expenses to be charged for the year ended 31 December 2013 of approximately RMB6.8 million.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2013 and assuming a total of 400,000,000 Shares had been in issue throughout the year ended 31 December 2013 (assuming the Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Global Offering had been in issue on 1 January 2013 but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company).

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumptions that (i) the Over-allotment Option is not exercised, and (ii) no options are granted under the Share Option Scheme.

	Based on an Offer Price of HK$1.45 per Share	**Based on an Offer Price of HK$2.05 per Share**
Market capitalisation [(1)]	HK$580 million	HK$820 million
Unaudited pro forma adjusted consolidated net tangible asset per Share [(2)]	HK$1.69 per Share	HK$1.84 per Share

Notes:

1. The calculation of market capitalisation is based on 400,000,000 Shares expected to be in issue following the Global Offering and the Capitalisation Issue becomes unconditional.

2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments made referred to in Appendix II to this prospectus and on the basis of 400,000,000 Shares in issue and the respective Offer Prices of HK$1.45 per Share and HK$2.05 per Share.

DIVIDEND POLICY

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, Hunan Huisheng declared and paid a dividend of RMB61.9 million, nil, nil and nil to its then shareholders. Past payments and non-payments of dividends are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. Subject to, among others, the factors described above, our Directors currently intend to recommend dividends of around 25% of our net profit available for distribution to the Shareholders in the foreseeable future.

USE OF PROCEEDS

The aggregate net proceeds from the New Issue (after deducting underwriting fees and estimated expenses in connection with the New Issue and assuming an Offer Price of HK$1.75 per Share, being the mid-point of the indicative Offer Price range, and assuming the Over-allotment Option is not exercised) will be approximately HK$135.0 million. Our Directors intend to apply the net proceeds from the New Issue as follows:

Approximate amount of net proceeds	**Intended application**
HK$63.5 million or 47.0%	purchase of freezer storage facilities for phase two of the New Production Base

Approximate amount of net proceeds	**Intended application**
HK$49.2 million or 36.5%	development costs of the Wuxihe Xiang Breeding Farm, of which: (i) approximately HK$27.6 million for the infrastructure and construction cost (including approximately HK$0.4 million for the construction of infrastructure, approximately HK$19.4 million for the construction of production facilities and approximately HK$7.8 million for the construction of staff dormitory and ancillary facilities); (ii) approximately HK$10.3 million for the acquisition and installation of relevant equipment (including approximately HK$8.5 million for the acquisition and installation of production facilities and approximately HK$1.8 million for the acquisition and installation of staff dormitory and ancillary facilities); and (iii) approximately HK$11.3 million for the purchase of breeder hogs
HK$22.3 million or 16.5%	development costs of the Dingjiagang Xiang Breeding Farm, of which: (i) approximately HK$16.9 million for the infrastructure and construction cost (including approximately HK$0.3 million for the construction of infrastructure, approximately HK$11.6 million for the construction of production facilities and approximately HK$5.0 million for the construction of staff dormitory and ancillary facilities); and (ii) approximately HK$5.4 million for the acquisition and installation of production facilities

For further details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Global Offering, and assuming an offer price of HK$1.75 per offer share, being the mid-point of the indicative Offer Price range) will be approximately HK$27.0 million. Our Company will not receive any of the proceeds from the Sale Shares.

RISK FACTORS

Our Directors consider that there are risks and uncertainties relating to our business and our industry. Some highlighted risks are as follows: (i) we mainly focus on the market of Hunan Province with a single line of products; (ii) delay or failure in completing our expansion plans could adversely affect our operation and growth prospect; and (iii) the outbreak of swine diseases, animal diseases or other epidemics or the unauthorised use of brown meat essence could adversely affect our operations. For further discussions on the risk factors, please refer to the section headed "Risk factors" in this prospectus.

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offer
"Articles" or "Articles of Association"	the second amended and restated articles of association of our Company, adopted on 11 February 2014 (conditional upon Listing) and as amended from time to time, a summary of which is contained in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "our Board"	the board of Directors
"Breeding and Farming Model"	the three-step breeding and farming model developed by our Company, which involves (i) the specialisation of reproduction technique of sows at our Health Breeding Farm, (ii) the specialisation in the nursing technique of piglets at our Health Breeding Farm, and (iii) the outsourcing of fattening process to local Fattening Farmers
"Breeding Farms"	our Health Breeding Farm and the Contract Farms
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"CAGR"	represents the year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding
"Capitalisation Issue"	the issue of 299,989,581 New Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Global Offering
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changde City Areas"	city areas of Changde, covering Wuling District* (武陵區), Liuye Lake Resort District* (柳葉湖旅遊度假區), Changde Economic and Technological Development Zone* (常德經濟技術開發區) and Wuling Town of Dingcheng District* (鼎城區武陵鎮)
"Changde Huisheng"	Changde Huisheng Meat Food Company Limited* (常德惠生肉類食品有限公司), a wholly foreign owned enterprise in the PRC which was established on 21 April 2006 and was deregistered on 19 December 2008
"Changde Wuxing"	Changde Wuxing Agricultural Development Company Limited* (常德市五星農業發展有限公司), a company established in the PRC which owns approximately 8.1% equity interest in the registered capital of Linli JV
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"CICL" or "Sponsor"	Cinda International Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
"CISL" or "Global Coordinator" or "Bookrunner" or "Lead Manager"	Cinda International Securities Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) regulated activities for the purpose of the SFO
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Huisheng International Holdings Limited (惠生國際控股有限公司) (formerly known as Huisheng International Holdings Ltd.), an exempted company incorporated in the Cayman Islands on 30 September 2011 with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Contract Farm(s)"	contract farm(s) located in Changde where we used the premises and facilities for hog breeding and farming pursuant to the relevant agreements
"Contract Farmer(s)"	operator(s) of the Contract Farm(s)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, means Mr. Ding, Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍), Ms. Li Xianjie (李賢杰), Huimin and Jisheng
"Cooperative Retail Shop(s)"	cooperative retail shop(s) distributed throughout Changde and Zhangjiajie (張家界) for the sale of our pork products, which are operated pursuant to the cooperation agreements entered into by us and the operator(s) of such cooperative retail shop(s)
"Dingjiagang Xiang Breeding Farm"	our new hog breeding farm to be constructed in Dingjiagang Xiang (丁家港鄉), Dingcheng District (鼎城區), Changde, Hunan Province, the PRC
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dr. Yin"	Dr. Yin Yulong (印遇龍), currently an academician of the Chinese Academy of Engineering (中國工程院), the supervisor of the Health Breeding Research Centre (健康養殖研究中心) of the Institute of Subtropical Agriculture*(Note)* and the chief researcher of the Institute of Subtropical Agriculture specialising in animal breeding and feed, and an Independent Third Party
"Fattening Farm(s)"	farm(s) where we provide piglets, hog feed and technical assistance to the Fattening Farmers and collect the hogs from these farms when the piglets mature
"Fattening Farmer(s)"	operator(s) of the Fattening Farm(s)
"Global Offering"	the Hong Kong Public Offer and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider

Note: The Health Breeding Research Centre is one of the research centres of the Institute of Subtropical Agriculture, focusing on, among others, the development of hog feed, recycling of waste caused by the hog industry and the integration of dairy industry and crop farming systems.

"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Health Breeding Farm"	the hog breeding farm operated by us and located at Dingcheng District (鼎城區), Changde, Hunan Province, the PRC, which land was leased by us from Independent Third Party
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of HK eIPO White Form at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by the Company, as specified on the designated website of HK eIPO White Form at **www.hkeipo.hk**
"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company
"Hong Kong Huisheng"	Hongkong Huisheng Meat Food Limited (香港惠生肉類食品有限公司), a limited liability company incorporated under the laws of Hong Kong on 14 March 2006, and a wholly-owned subsidiary of our Company
"Hong Kong Offer Shares"	the 12,000,000 Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offer, as described under the section headed "Structure of the Global Offering" in this prospectus

"Hong Kong Public Offer"	the issue and offer of the Hong Kong Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee and SFC transaction levy) on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Underwriters"	the Underwriters of the Hong Kong Public Offer, whose names are set out under the paragraph headed "Hong Kong Underwriters" in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 14 February 2014 and entered into by, among others, us, the Global Coordinator and the Hong Kong Underwriters relating to the Hong Kong Public Offer
"Huangtudian Breeding Farm"	our new hog breeding farm to be constructed in Huangtudian Town (黃土店鎮), Dingcheng District (鼎城區), Changde, Hunan Province, the PRC
"Huimin"	Huimin Holdings Limited, being the Selling Shareholder and one of our Controlling Shareholders, a limited liability company incorporated in the BVI on 28 September 2011 and wholly owned by Mr. Ding
"Huisheng (BVI)"	Huisheng Food Holdings Limited, a company incorporated in the BVI with limited liability on 3 October 2011, and a direct wholly-owned subsidiary of our Company
"Hunan HTVC"	Hunan Hi-Tech Venture Capital (Hongkong) Company Limited (湖南高新投(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong on 22 July 2009 and wholly-owned by Hunan Hi-Tech Venture Capital Investment Company Limited* (湖南高新創業投資有限責任公司), a PRC state-owned investment entity under the Hunan Provincial People's Government (湖南省人民政府), and one of our Shareholders, whose investment in our Group is more particularly described under the paragraph headed "Pre-IPO investments" in the section headed "Corporate history, development and Reorganisation" in this prospectus
"Hunan Huisheng"	Hunan Huisheng Meat Products Company Limited* (湖南惠生肉業有限公司) (formerly known as Hunan Huisheng Meat Products Joint Stock Company Limited* (湖南惠生肉業股份有限公司)), a limited liability company established in the PRC on 18 December 2007, currently a wholly foreign-owned enterprise and a wholly-owned subsidiary of our Company

"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of and not connected with any member of our Group, our Directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates within the meaning of the Listing Rules
"Institute of Subtropical Agriculture"	the Institute of Subtropical Agriculture of the Chinese Academy of Sciences (中國科學院亞熱帶農業生態研究所), an Independent Third Party
"International Offering"	the conditional offering of the International Offer Shares for and on behalf of our Company and the Selling Shareholder outside the United States (including professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of Over-allotment Option as further described under the section headed "Structure of the Global Offering" in this prospectus
"International Offer Shares"	the 108,000,000 Shares comprising 88,000,000 New Shares and 20,000,000 Sale Shares initially offered by our Company for subscription and purchase under the International Offering, subject to adjustment and the exercise of the Over-allotment Option, as described under the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of underwriters led by the Lead Manager, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, us, the Selling Shareholder, the Global Coordinator and the International Underwriters relating to the International Offering
"Ipsos"	Ipsos Hong Kong Limited, an Independent Third Party, an independent market research company which prepared the Ipsos Report
"Ipsos Report"	a report in respect of, among other things, hog husbandry and pork distribution in the PRC, which was issued by Ipsos dated 17 February 2014 and commissioned by us
"Jinda Concrete"	Jinda Commercial Concrete Co., Ltd.* (常德市金達商品砼有限責任公司), a limited liability company established in the PRC in 2002 by Mr. Ding, which is currently controlled by Mr. Ding and engaged in cement business

"Jisheng"	Jisheng Holdings Limited, one of our Controlling Shareholders, a limited liability company incorporated in the BVI on 28 September 2011 and owned as to approximately 33.0%, 33.0%, 18.6%, 11.0%, 3.3% and 1.1% by Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍) and Ms. Li Xianjie (李賢杰) respectively
"kg"	kilogram
"Latest Practicable Date"	7 February 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Linli Huisheng"	Linli Huisheng Meat Products Company Limited* (臨澧惠生肉業有限公司), a limited liability company established in the PRC on 19 August 2013 and an indirect wholly-owned subsidiary of our Company
"Linli JV"	Linli Huisheng Ecological Hog Breeding Company Limited* (臨澧惠生生態豬養殖有限公司), a limited liability company established in the PRC on 17 September 2013 and an indirect subsidiary of our Company, which is owned as to approximately 71.9% by Linli Huisheng, 20% by NeX Eco-Agriculture and 8.1% by Changde Wuxing
"Linli New Breeding Farm"	our new hog breeding farm under construction situated in Linli County (臨澧縣), Changde, Hunan Province, the PRC
"Listing"	the listing of our Shares on the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange, which is expected to be on or about Friday, 28 February 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with the Growth Enterprise Market; and for the avoidance of doubt, the Main Board excludes the Growth Enterprise Market

"Memorandum" or "Memorandum of Association"	the second amended and restated memorandum of association of our Company, as amended from time to time, a summary of which is contained in Appendix V to this prospectus
"Mr. Ding"	Mr. Ding Biyan (丁碧燕), chairman and executive Director of our Company, the founder of our Group and one of our Controlling Shareholders
"Mr. Yau"	Mr. Yau Chung (邱松), one of our Shareholders prior to the Global Offering, whose investment in our Group is more particularly described in the paragraph headed "Pre-IPO investments" in the section headed "Corporate history, development and Reorganisation
"MOFCOM" or "Ministry of Commerce"	the PRC Ministry of Commerce (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
"mu"	the traditional Chinese unit of area (畝), one mu is equivalent to approximately 666.67 sq.m.
"New Issue"	the issue of New Shares
"New Production Base"	our new production base for slaughtering and processing situated at Changde Economic and Technological Development Zone* (常德經濟技術開發區)
"New Shares"	the new Shares initially being offered for subscription by our Company at the Offer Price under the Global Offering
"NeX Eco-Agriculture"	NeX Eco-Agriculture Technologies Inc. (新湘農生態科技有限公司), a company established in the PRC which owns approximately 20% equity interest in the registered capital of Linli JV
"Offer Price"	the offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) at which the Offer Shares are to be subscribed or purchased pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Other Initial Shareholders"	Mr. Ding Jingxi (丁敬喜), Mr. Yu Jishi (于濟世), Mr. Zhang Zhizhong (張志忠), Mr. Wang Haijun (王海軍) (or as the context may otherwise requires, Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍) and Ms. Li Xianjie (李賢杰)

"Over-allotment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 18,000,000 additional Shares at the Offer Price representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover the over-allocations (if any) in the International Offering, as described in the section headed "Structure of the Global Offering" in this prospectus
"PRC Company Law"	the Company Law of the PRC* (中華人民共和國公司法) (as amended, supplemented or otherwise modified from time to time)
"PRC EIT"	the enterprise income tax payable under the PRC EIT Law
"PRC EIT Law"	the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法)
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "Chinese Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context require, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng, Attorneys at Law (北京市競天公誠律師事務所), our legal advisers as to PRC law
"Price Determination Date"	the date, expected to be on or around Friday, 21 February 2014 but in any event not later than Thursday, 27 February 2014, on which the Offer Price will be determined for the purposes of the Global Offering
"Regulation S"	Regulation S under the US Securities Act
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the pre-listing reorganisation of our Group, further details of which are described under the paragraph headed "The Reorganisation" in the section headed "Corporate history, development and Reorganisation" in this prospectus
"Reporting Accountants"	HLB Hodgson Impey Cheng Limited, the auditors and reporting accountants of our Company
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)

"Sale Shares"	the Shares to be offered for sale by Selling Shareholder at the Offer Price under the Global Offering
"Selling Shareholder"	Huimin
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, further details of which are described in the paragraph headed "15. Share option scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of our Share(s)
"Stabilising Manager"	CISL
"State Council"	the State Council of the PRC* (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Huimin and the Global Coordinator on or about the same date as the International Underwriting Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"sq.m."	square metre(s)
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
"Three New Breeding Farms"	the Wuxihe Xiang Breeding Farm, Dingjiagang Xiang Breeding Farm and Huangtudian Breeding Farm
"Track Record Period"	the period comprising the financial years ended 31 December 2010, 31 December 2011, 31 December 2012 and the nine months ended 30 September 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	the securities laws of the United States, including the Securities Act of 1933, as amended, and the regulations of the US Securities and Exchange Commission promulgated pursuant thereto
"Valuer"	Asset Appraisal Limited, the valuers of which are members of the Valuation Organisation Members of the International Valuation Standards Council (IVSC) and an Independent Third Party
"VAT"	value-added tax of the PRC
"Wuling Slaughterhouse"	our complex of slaughterhouse and processing plant situated in Wuling District of Changde which was in operation during the Track Record Period
"Wuxihe Xiang Breeding Farm"	our new hog breeding farm to be constructed at Wuxihe Xiang (浯溪河鄉), Taoyuan County (桃源縣), Changde, Hunan Province, the PRC
"%"	per cent

In this prospectus, the English names of PRC nationals, entities, departments, facilities, certificates, titles, cities, laws and regulations, etc. and terms which are marked "" are translations of their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB have been translated into HK$ at the rate of RMB1.00 = HK$1.2698. No representation is made that the RMB amounts could have been, or could be, converted into HK$ at such rates or at any other rate on such date or on any other date.

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. When information is presented in thousands or millions of units, amounts may have been rounded up or down.

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"boar(s)"	male hog(s) which are not castrated, for mating purpose (公豬)
"breeder hog(s)"	particularly prime hog(s) of required qualities that are selected as breeding stock, including boars, sows and gilts (種豬)
"brown meat essence"	a general term of ractopamine, clenbuterol (lean meat powder), salbutamol or terbutaline which are used as feed additive in food animals for growth promotion and to promote leaner meat growth in food animals (瘦肉精). The use of brown meat essence in food animals is prohibited in the PRC according to the Ministry of Agriculture
"chilled pork"	whole piece chilled carcasses and raw pork that has undergone carving and raw meat processing and which is pre-cooled to temperatures of below 4°C before delivery
"finisher(s)"	hog(s) that weigh(s) around 100 kg and around 150 to 180 days old before slaughtering
"fresh pork" or "room temperature pork"	raw pork that is left to cool at room temperature but has not undergone raw meat processing, and is supplied at room temperature
"frozen pork"	raw pork that has undergone carving, raw meat processing and freezing, and which is stored in temperatures of approximately -18°C
"gilt(s)"	female hog(s) that have not given birth to piglets (後備母豬)
"ISO9001"	internationally recognised standard for quality management of businesses
"ISO22000"	internationally recognised standard for food safety management
"local-crossbreed swine"	hog(s) produced from mating good breeds with the local breeds. Good breeds mainly refer to those with superior growth, good quality, strong resistance to infections, and higher stability and adaptability to the nature and standardised adoption (土雜豬). Based on the criteria stated above, good breeds include Duroc, Landrace, Yorkshire, etc.
"piglet(s)"	newborn hog(s) of about 0 to 30 days old (乳豬)
"porker(s)"	hog(s) made fat and used as food

"processed pork"	cooked pork that has undergone preservation, drying and roasting
"shed(s)"	roofed structures divided into sties where piglets or hogs are kept in a hog farm
"sow(s)"	female hog(s) which have given birth to piglets (母豬)
"three-breed crossbreed swine"	hog(s) produced by mating the purebred boars of one breed with crossbred sows of two other breeds from the first cross (三元雜交豬). For example, Duroc boars are mated to the crossbred sows of Landrace and Yorkshire from the first cross to produce a three-breed
"weaner(s)"	young hog(s) of around 30 to 60 days old that have been weaned off sow and consuming hog feed (小豬)

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", "shall", "will" and the negative of these terms and other similar expressions, as they relate to us. Our Directors confirm that these forward-looking statements are made after due and careful consideration and are fair and reasonable. Those statements include, among other things, the discussion of our growth strategies and the expectations of our future operations, liquidity and capital resources, which reflect our management's current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed "Risk factors" in this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed "Risk factors" in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that all of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR COMPANY AND OUR BUSINESS

We mainly focus on the market of Hunan Province with a single line of products

We are principally engaged in hog breeding, hog farming, hog slaughtering and production and sale of pork products, with a majority of our revenue generated from the sale of pork products to customers in Hunan Province, the PRC. During the Track Record Period, the primary source of our income was, and we anticipate in the near future will continue to be, derived from our pork products, such as raw pork (fresh, chilled, frozen and side products) and processed pork products (cured pork, sausages and cured side products) sold in Hunan Province. During the Track Record Period, over 80% of our sales were made in Hunan Province. Any natural disaster, epidemic outbreak or other incidents in Hunan Province may adversely affect the sale of our pork products and our operating results.

Our sales volume is highly sensitive to fluctuations in the demand for and pricing of our pork products. If, for any reason, the demand for and the quality or selling prices of our pork products are reduced, our operating results would be materially and adversely affected. Our sales may also fluctuate due to changes in market price of pork and cost and supply of hogs and hog feed, which are affected by the then prevailing market demand and supply, weather conditions, livestock diseases, changes in consumer tastes and preferences and environmental regulations. If the price of our pork products decreases or the cost of hogs or hog feed increases, or there is a sharp decrease in the supply of hogs or demand for pork products, our revenue and profit may be adversely affected.

We are subject to risks associated with the adoption of the Breeding and Farming Model in a larger scale

One of our business strategies is to ultimately streamline and vertically integrate our operations by the adoption of the Breeding and Farming Model. The adoption of the Breeding and Farming Model in a larger scale will involve a different risk profile for us, which includes, among others:

Delay or failure in completing our expansion plans could adversely affect our operation and growth prospect

We are in the final stage of construction of the Linli New Breeding Farm, which has been put into trial operation since November 2013, and constructing the New Production Base, which the phase one has been put into trial operation since December 2013, and intend to construct the Three New Breeding Farms. There may be delay or failure in completing the construction of the new breeding farms or the New Production Base, for reasons such as natural disasters, force majeure, delay in completing the construction work by our contractors, delay in obtaining the necessary licences for the construction or operation of the breeding farms or production base, insufficient funds for the construction of the breeding farms or production base or events beyond our control. We cannot assure you that the new breeding farms or production base will be completed and put into operation timely. In the event that there is a delay or failure in completing the construction of such breeding farms and production base, our business, operating results and growth prospect may be adversely affected.

We will apply for the building ownership certificates for our New Production Base after the final inspection approval has been obtained in respect of the completion of the construction. In the event that we are unable to obtain such building ownership certificates, there may be disputes as to our legal rights to operate business in the New Production Base, our business and operating results could be adversely affected.

As part of our Breeding and Farming Model as further elaborated in the paragraph headed “Our business strategies” in the section headed “Our business”, we will engage more Fattening Farmers in order to maintain a stable supply of quality hogs. In the event that we cannot identify suitable Fattening Farms, or engage suitable Fattening Farmers or that the Fattening Farmers which we have contracted with do not adhere to our strict policy and requirements for farming the piglets bred and provided by us, or that the Fattening Farmers are not in compliance with any relevant PRC laws and regulations, or that our expansion plans do not materialise in a way that we have anticipated, our business, results of operations and financial condition would be adversely and materially affected.

There may not be increased purchase orders for our planned increased production output under our expansion plan, which may expose us to potential volatility in our business performance

We do not enter into any long-term contract with our customers, and no commitment has been made by our customers relating to minimum purchase orders pursuant to the sales agreements which we enter into with our customers. Our sales are made on the basis of individual purchase orders received from our customers. There is no assurance that the purchase orders to be placed by our customers in the future will be able to match our planned increased production output under our expansion plan. In addition, there is no assurance that these customers will continue to place orders with us at the same volume of our products, or at all, in the future. In the event that our customers do not increase their purchases with us as currently expected or any loss of purchase orders from our customers, our results of operations and financial condition would be adversely affected.

Our expansion plans could increase our depreciation charges significantly which could adversely affect our financial performance

We are constructing the Linli New Breeding Farm and the New Production Base and intend to construct the Three New Breeding Farms. The estimated total investment cost in relation to the Linli New Breeding Farm, the Three New Breeding Farms and the New Production Base amounted to approximately RMB427.1 million in aggregate. We expect that our expansion plans could increase our depreciation charges significantly in the future. Based on the estimated investment cost as detailed under the paragraph headed “Our business strategies” in the section headed “Our business”, we expect our annual depreciation charges relating to the New Production Base, the Linli New Breeding Farm and the Three New Breeding Farms will be approximately RMB20.4 million, RMB1.7 million and RMB4.3 million respectively after they are put into commercial operation. As such, our financial conditions in the future would be adversely affected by the significant increase in depreciation charges in relation to our expansion plan.

Suspension or cessation of operations or seizure of assets at the Fattening Farms could adversely affect our operation

With a view to enhancing our vertical integration business model by adoption of the Breeding and Farming Model in a larger scale, we intend to enter into more cooperation agreements with Fattening Farmers for provision of fattening services to us in the future. As at the Latest Practicable Date, we had entered into cooperation agreements with 33 Fattening Farmers for the provision of fattening services to our Group at their Fattening Farms. Pursuant to the terms of the cooperation agreements, we shall provide approximately 1,000 piglets to the Fattening Farmers each year, and in return they shall raise the piglets in accordance with our farming requirements and use the hog feed and medicine provided by us. There is no assurance that our Group is able to engage sufficient number of Fattening Farmers to provide fattening services to our Group in the future. In the event that our Group is not able to engage sufficient number of Fattening Farmers, or the Fattening Farmers cannot provide sufficient fattening services to our Group in accordance with our expansion plans, our Group's production and productivity could be adversely affected.

In the event that there is any material change to the assets of any of the owners of the Fattening Farms, including but not limited to, the shouldering of material debts, insolvency or bankruptcy, and there is seizure of assets at any of the Fattening Farms by the relevant creditors or government authorities, or there is any non-compliance with relevant laws and regulations by any of the Fattening Farms, or there is outbreak of any swine disease or other animal disease or other epidemic or the unauthorised use of brown meat essence by any of our Fattening Farmers, or any of our Fattening Farmers do not adhere to our guidelines for fattening of hogs, we may not be able to ensure a continued and stable supply of hogs in accordance with our required standards from such Fattening Farmers and we may not be able to claim damages from such Fattening Farmers. The suspension or cessation of operations of the Fattening Farms or seizure of assets at the Fattening Farms may adversely affect our business operations.

No assurance of the quality of hogs farmed by the Fattening Farmers

We cannot assure you that the Fattening Farmers will strictly abide by our standardised farming procedures and that the Fattening Farmers will provide hogs of sufficient quality to meet our quality control requirements. There is also no assurance that the Fattening Farmers will continue to honour their obligations under the respective agreements or they will continue to provide fattening services to us when their respective agreement with us expires. Any of the above incidents may have a negative impact on the supply of our hogs, and may adversely affect our production and profitability.

Our financial results are subject to the changes in the fair value of our biological assets less costs to sell which may fluctuate dramatically from period to period and the minimum service fee guaranteed to the Fattening Farmers

Our biological assets comprise our breeder hogs and porkers. Our financial results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. Our Group recognised an unrealised gain arising from changes in fair value less costs to sell of biological assets of approximately RMB1.1 million for the year ended 31 December 2010, and unrealised losses arising from changes in fair value less costs to sell of biological assets of approximately RMB0.1 million, RMB3.3 million and RMB0.8 million for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 respectively. These unrealised fair value gain or losses on our biological assets, which are non-cash in nature, represent fair value changes of our hogs due to changes in their physical attributes and market-determined prices of those assets. The fair values of our hogs at each reporting date during the

Track Record Period are determined by independent professional valuer. In applying the valuation methods, the independent valuer has relied on a number of major parameters and assumptions, such as, among other things, quantity and body weight of hogs and market price of hogs, as well as future trends of political, legal and economic conditions in the PRC. The fair value of our hogs could be affected by, among other things, the accuracy of those parameters and assumptions, as well as the quality of our hogs and changes in the hog farming industry. Our unrealised fair value gains or losses on our biological assets may fluctuate dramatically from period to period, which reflect the prevailing market conditions and our financial results may fluctuate as a result. We cannot assure that the fair value of our biological assets will not decrease in the future, which in turn will adversely affect our financial results. Further, as we adopt our Breeding and Farming Model in a larger scale, the number of hogs housed in our Health Breeding Farm and the Fattening Farms will increase and our financial results may be subject to greater changes in the fair value of our biological assets.

Moreover, as set out in the paragraph headed "Our business strategies" in the section headed "Our business" in this prospectus, as part of our Breeding and Farming Model to be adopted in a larger scale, we plan to engage more Fattening Farmers to maintain a stable supply of quality hogs. As an incentive for the continuous provision of fattening services by the Fattening Farmers, in the event that the market conditions are poor and the profit per hog (excluding costs of the weaners, hog feed and medication) gained by the Fattening Farmers is below a certain threshold, we have guaranteed to pay a service fee in the amount of approximately RMB100 per finisher to the Fattening Farmers. We intend to continue to adopt this minimum service fee guarantee arrangement with the Fattening Farmers. With the number of Fattening Farmers increasing, our financial results will be subject to a different cost/profit structure going forward and there is a greater risk that our gross profit will decrease substantially due to the additional service fee that may be required to be paid to the Fattening Farmers under bad market conditions, and the fair value changes in our hogs. We cannot assure that our financial results will not be adversely affected by such guarantee arrangement or the fair value changes of our biological assets due to the adoption of our Breeding and Farming Model in a larger scale.

We are required to obtain various licences and permits to operate our business and comply with the environmental protection regulations, the loss of or failure to renew any or all of these licences and permits could materially and adversely affect our business

In accordance with the applicable PRC laws and regulations, we are required to maintain various licences and permits in order to operate our business, including without limitation, a Certificate of Designated Location for Hog Slaughtering* (生豬定點屠宰證), a National Industrial Products Production Permit* (全國工業產品生產許可證) and Animal Epidemic Prevention Qualification Certificates* (動物防疫條件合格證). We are also required to comply with applicable hygiene and food safety standards promulgated by the PRC government in relation to our production process. Any loss or failure to renew our licences and permits could result in temporary or permanent suspension of our operations, which could disrupt our operations and adversely affect our business.

In addition, we conduct business in a regulated industry that is subject to PRC environmental protection laws and regulations. These laws and regulations require enterprises engaged in manufacturing or construction that may produce environmental waste to adopt measures to effectively control and properly dispose of waste gases, waste water, industrial waste and other environmental waste materials. During the breeding, farming and slaughtering of hogs and processing of pork, we may produce sewage, solid waste, waste gas and we are subject to the restrictions of PRC environmental protection laws and regulations in relation to the discharge of such pollutants.

There is no assurance that the PRC government will not change the existing laws or regulations or impose additional or more requirements, compliance with which may cause us to incur extra costs and expenses, in particular, environmental protection cost, which we may not be able to pass on to our customers by increasing the prices of our pork products and hence resulting in a material adverse effect on our performance. Further, we cannot assure that we will always be able to comply with all existing or future environmental protection laws or regulations or be able to renew our permit for pollutant discharge. Failure of which may subject us to penalties and liabilities or even suspension of our operations and business, and may thereby result in a material adverse effect on our business, financial condition and performances.

Fluctuations of the price of hogs or interruptions to the supply of hogs may adversely affect our business and operating results

During the Track Record Period, we procured most of the hogs from third party suppliers while a small portion of hogs were bred and farmed at our Breeding Farms or by the Fattening Farms. Approximately 93.8%, 94.0%, 94.9% and 94.9% of the total number of hogs we slaughtered were purchased from third party suppliers while only approximately 3.5%, 4.3%, 3.9% and 3.5% were from our Breeding Farms and Fattening Farms during the Track Record Period. The average unit cost of hogs purchased from third party suppliers amounted to approximately RMB15.0 per kg, RMB17.9 per kg, RMB16.9 per kg and RMB16.6 per kg respectively for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, representing an increase of approximately 10.7% from the year ended 31 December 2010 to the nine months ended 30 September 2013 due to the overall increase in hog prices in the PRC.

We have not entered into any long term supply agreements with our hog suppliers, and the term of these agreements is usually 12 months. There is no assurance that our suppliers will continue to supply adequate number of hogs at prices acceptable to us to satisfy our present and future production needs. If the costs of hogs increase further and we are unable to entirely offset these increases by raising the prices of our pork products, our profit margin and financial condition could be adversely affected.

Disruptions of the operations at our Breeding Farms and Fattening Farms, such as force closure or suspension of operation due to non-compliance of relevant laws and regulations, may adversely affect the supply of hogs and hence our business operations. For details of this risk, please refer to the paragraph headed "Suspension or cessation of operations or seizure of assets at the Fattening Farms could adversely affect our operation" above.

Interruptions to the supply of hog feed or increase of the price of hog feed may adversely affect our business and operating results

We require a substantial amount of hog feed to supply our Breeding Farms and the Fattening Farms. We currently purchase the majority of our hog feed from independent third-party suppliers in the PRC, typically through one-year purchase agreements, and we expect to continue to do so in the future. As for most agricultural products, the cost and supply of hog feed are generally subject to market conditions, which may be affected by, among other things, adverse weather conditions, various plant diseases, pests and other acts of nature. In the event of price increases or disruptions in the hog feed supply, we may be unable to obtain sufficient quantities of hog feed on acceptable terms or at all. Any inability to procure sufficient quantities of hog feed or to transfer the increased costs to our customers could have a material adverse effect on our business, financial condition and results.

Fluctuations of pork price may affect our business and operating results

Our Group is exposed to the risk of fluctuation of pork price due to various factors including the market force of supply and demand which is affected by environmental regulations, animal diseases and changes of tastes or preferences of customers. Since these factors affect the market as a whole, our Group has little or no control over the same. The average unit cost of hogs purchased from third party suppliers amounted to approximately RMB15.0 per kg, RMB17.9 per kg, RMB16.9 per kg, RMB16.9 per kg and RMB16.6 per kg respectively for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 respectively, representing an increase of approximately 10.7% from the year ended 31 December 2010 to the nine months ended 30 September 2013 due to the overall increase of hog prices in the PRC.

Fluctuations of pork price may affect the pricing of our pork products. Overall average selling prices of our major pork products (namely, fresh pork, chilled pork, frozen pork and side products) for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 were approximately RMB17.8 per kg, RMB21.3 per kg, RMB19.8 per kg, RMB19.8 per kg and RMB19.6 per kg respectively. Please refer to the paragraph headed “Principal components of consolidated statements of profit or loss and other comprehensive income” in the section headed “Financial information” in this prospectus for the average selling prices of each of our major pork products during the Track Record Period. If our product prices decrease in view of the fluctuation of pork price and we are unable to reduce our costs accordingly, our Group’s revenue and profit may be adversely affected. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the overall average selling prices of our major pork products on our profit after taxation during the Track Record Period. Hypothetical fluctuations are assumed to be 1.0% and 19.7% which are commensurate with historical fluctuations in the overall average selling prices of our major pork products during the Track Record Period:

Hypothetical fluctuation in overall average selling prices of major pork products	**-19.7%**	**-1.0%**	**+1.0%**	**+19.7%**
Change in profit after taxation (RMB’000)				
For the year ended 31 December 2010	(148,424)	(7,534)	7,534	148,424
For the year ended 31 December 2011	(209,885)	(10,654)	10,654	209,885
For the year ended 31 December 2012	(205,622)	(10,438)	10,438	205,622
For the nine months ended 30 September 2012	(155,286)	(7,883)	7,883	155,286
For the nine months ended 30 September 2013	(157,656)	(8,003)	8,003	157,656

If we are unable to maintain the relationships with the operators of Cooperative Retail Shops and our other customers, our business may be adversely affected

We sell our pork products to the operators of Cooperative Retail Shops and independent customers, including supermarkets, wet market pork traders, food processing factories and pork product traders, who in turn sell our products to end-customers.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, sales to the operators of Cooperative Retail Shops accounted for approximately 16.8%, 18.8%, 20.7% and 26.8% of our total sales respectively, while sales to other independent customers accounted for approximately 83.2%, 81.2%, 79.3% and 73.2% of our total sales respectively for the same periods. We expect to continue to rely on these operators of Cooperative Retail Shops and other independent customers for our sales. We have not entered into long-term contracts with many of these customers and these customers have no obligations to purchase pork products exclusively and continuously from us.

Besides, the operators of Cooperative Retail Shops and the independent customers play an important role in our sales network. If we fail to maintain good relationships with the operators of Cooperative Retail Shops and the independent customers or retain them in our sales network, our sales, financial condition and operating results may be adversely affected.

Inappropriate use of our company name "惠生" and our trademark by the Cooperative Retail Shops could negatively affect our business

During the Track Record Period, our packaged pork products including frozen and processed pork products were principally sold under our registered trademark of "歪脖脖". We have also granted the rights to use this trademark and our company name "惠生" to the Cooperative Retail Shops when marketing our pork products. If any of the Cooperative Retail Shops uses the trademark and our company name in a way that negatively affects our trade names, corporate reputation and product image, our business could be negatively affected. This may also cause a reduction of our market share and loss of revenue.

There are uncertainties relating to the title of the land and the premises of our processing room and water pump room adjacent to our Health Breeding Farm

On 21 December 2007, we entered into an agreement with an Independent Third Party to acquire a parcel of land with a site area of approximately 1,100 sq.m., which is adjacent to our Health Breeding Farm at a consideration of RMB51,000. Two buildings and various structures erected thereon with total gross floor area of approximately 650 sq.m. are currently occupied by our Group for feed mixing and for water pumping facilities. As the title documents and approval documents relating to the transfer were not available, the PRC Legal Advisers were not able to opine on the legality and enforceability of the transfer. As such, in the event that the relevant authority or any third party raises objection to the right and the use of the land and the premises and intends to bring about any legal action, we may not be able to continue using the relevant land and premises. Further, if the transfer of such land and premises to us was considered by the relevant authority to be illegal, we may be penalised at a rate of less than RMB30 per sq.m..

We may be subject to product liability

As a pork product producer, product safety is crucial to our business. We have implemented various measures to ensure the safety of our pork products, including but not limited to, regular inspections and examinations during our production process. There is no assurance that our pork products will not be contaminated as a result of tampering by unauthorised third parties or product contamination during the various stages of the procurement and production process.

As at the Latest Practicable Date, we had not maintained any product liability insurance in the PRC. Any product liability claim or threatened to be made against us in the future could result in costly litigation. In the event that our products are proved to have caused or may cause danger to the health of human beings and are determined as unsafe products by the relevant authorities, we may be required to recall our products. Any potential product liability claims could also result in negative publicity and thereby adversely affect our reputation with customers and our corporate and brand image.

Consumer consciousness and concerns about the safety and quality of food products could adversely affect the sales of our products

Consumers in the PRC are increasingly conscious of food safety and nutrition. Consumer concerns about the safety of pork products, or about the safety of food additives used in processed meat products could discourage them from purchasing our pork products. The use of brown meat essence (e.g. ractopamine or clenbuterol) is prohibited in the PRC according to the Ministry of Agriculture (農業部). We prohibit the use of brown meat essence as feed additive in our Breeding Farms and the Fattening Farms and by our suppliers of hogs, and we conduct routine inspections of the hogs which we purchase. In case any of our suppliers of hogs or our Fattening Farms has used brown meat essence in the raising of piglets and our quality control system fails to detect such usage, our pork products tainted with brown meat essence may be sold in the market and we may be liable for fines and/or confiscation of our products by the relevant PRC government authorities. Our sales could be adversely affected if consumers lose confidence in the safety and quality of our pork products. In extreme circumstances, our qualification for operation may be revoked and we may be subject to legal liabilities.

We are subject to change of consumer tastes and preferences

Currently, we only produce pork products of different cuts and finishing. Consumer tastes and preferences as well as dietary habits may change from time to time. As the standard and way of living of the people in the PRC are changing from time to time, the demand for different kinds of food products, such as ready-made food products, fast food products and frozen food products, may also change from time to time. In particular, consumers may prefer other meat products such as beef or poultry meat other than pork. If we are unable to anticipate and respond to any change in the consumer preferences in a timely manner, the demand for our pork products may decrease, which may in turn adversely affect our business and results of operations.

Our business could be adversely affected if we fail to maintain sufficient working capital

We require a large sum of working capital in our business operations, used primarily to finance the purchase of hogs from our suppliers. We generally fund most of our working capital requirements out of cashflow generated from operations and bank borrowings. If we fail to maintain sufficient working capital, generate sufficient revenue from our sales, collect account receivables or maintain bank loan facilities, we may not have sufficient cashflow to fund our operating costs and our business could be adversely affected.

There is no assurance that we will continue to benefit from the preferential tax treatments currently enjoyed by us

The rate of income tax chargeable on companies in the PRC may vary depending on the availability of preferential tax treatments or subsidies based on their industry or location. The current maximum PRC EIT rate chargeable on companies in the PRC is 25%. As a pork product producer, after satisfying the requisite requirements, the State Administration of Taxation of Wuling District of Changde* (常德市武陵區國家稅務局) has granted waiver to Hunan Huisheng under the PRC EIT Law, its implementation regulations, and the Notice Issued by Ministry of Finance and State Administration of Taxation in relation to the Scope of Corporate Income Tax Preferential Treatment Policy Applicable to Agricultural Products Which Have Undergone Primary Processing (Trial)* 《財政部國家稅務總局關於發布享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》waiving its payment of PRC EIT for years 2010, 2011, 2012 and 2013. According to the relevant rules and regulations, a taxpayer who satisfies the statutory tax waiver conditions shall present the relevant documents to the responsible taxation authority and go through the formalities, such as the submission of a Record Sheet for Waiver of EIT (企業所得稅優惠備案表) and a Representation of the Adjusted Accounts of the Income Sourced from Primary Processing of Agricultural Product (農產品初加工所得的核算情況說明) for the entitlement of tax waiver. Hunan Huisheng went through the formalities for years 2010, 2011, 2012 and 2013. If we fail to satisfy the requisite requirements for entitlement to the waiver of the PRC EIT at a rate of 25% in the future or if there is any change in the existing PRC policy relating to preferential tax treatment applicable to us, we may no longer be entitled to the preferential tax rate currently enjoyed by us. There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by us in the future. Any loss or substantial reduction of the tax benefits enjoyed by us would adversely affect our financial condition and performance.

Non-compliance with social insurance and housing provident fund contribution regulations in the PRC could lead to imposition of penalties or other liabilities

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance contributions and housing provident fund contributions for the benefit of their employees, and entities which fail to make contributions may be ordered to settle the unpaid contribution and subject to penalty within a stipulated time limit.

Prior to October 2011, we did not make social insurance contributions in full to the local social insurance bureau of Changde and did not open accounts of nor made any contribution to the housing provident fund to the local housing fund management centre of Changde for our employees. Since October 2011, we have paid in full the social insurance and housing provident fund contributions respectively for our employees. An aggregate provision of approximately RMB2.0 million has been made in our financial statements for the unpaid social insurance contribution and housing provident fund which our Directors considered as adequate.

As at the Latest Practicable Date, we had not received any notice or demand from the relevant authorities to pay the unpaid social insurance and housing provident fund contributions. There is no assurance that our Group will not be subject to fines or penalties in the future, and if such happens, our Group's financial position may be adversely affected.

Non-compliance with environmental protection regulations in the PRC could lead to imposition of fines or penalties

We did not obtain final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of the construction of our Health Breeding Farm before the commencement of its operation. As advised by our PRC Legal Advisers, pursuant to the Management Regulations of Environmental Protection of Construction Projects* (建設項目環境保護管理條例), the operation of our Health Breeding Farm may be suspended and we may need to make fine payments of not exceeding RMB100,000.

As at the Latest Practicable Date, we had not received any notice or demand from the relevant authorities in relation to our Health Breeding Farm. However, there is no assurance that our Group will not be subject to fines or penalties in the future, and if such happens, our Group's operation and financial position may be adversely affected.

Non-compliance with the Companies Ordinance

We have previous incidents of non-compliance with the Companies Ordinance. Hong Kong Huisheng incorporated in Hong Kong had on various occasions not fully complied with certain statutory requirements in the Companies Ordinance with respect to matters such as timely adoption of audited accounts. Please refer to the paragraph headed "Regulatory compliance" in the section headed "Our business" in this prospectus.

Our Controlling Shareholders have agreed to indemnify us in respect of any liability which might be payable by any member of our Group arising from any possible or alleged violation or non-compliance with any Hong Kong laws or regulations on all matters, including the relevant non-compliance with the Companies Ordinance, arising prior to the date on which the Global Offering becomes unconditional.

If the Hong Kong Companies Registry takes any action against the relevant subsidiaries of our Group, including the imposition of fines or other penalties, our reputation and operations may be adversely affected.

If we are unable to retain key management personnel, our business and growth prospect may be impaired

We believe that our future success depends to a large extent upon the continued services of our key management personnel as described in the section headed "Directors, senior management and employees" in this prospectus. Mr. Yu Jishi (于濟世) has been working in the field of agriculture for more than 10 years, and Mr. Ding, Mr. Zhou Zhenghua (周正華) and a few department heads of our Group have been working in the hog breeding, hog farming, hog slaughtering or pork processing industry for more than five years. The expertise, industry experience and contributions of our senior management are crucial to our success. If we lose the services of any of our key management without appropriate replacement, our business development could be disrupted and our business or financial position may be materially and adversely affected. In addition, we may need to offer better employment packages in order to attract and retain personnel which will increase our operating costs. There is no assurance that we will be able to retain existing key management or attract additional suitable personnel in the future.

Our Company is a holding company and relies on dividends paid by our subsidiaries for our funding requirements

As a holding company, our Company relies on the receipt of dividends from our subsidiaries to pay dividends to our Shareholders and satisfy our obligations. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us) is subject to a number of factors including but not limited to its financial performance, earnings, surplus and directors' discretion. There is no assurance that any dividend will be declared and paid in the future.

In addition, the ability of each of our subsidiaries in the PRC to pay dividends to its shareholders is subject to the requirements of PRC law. PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Dividends may not be paid until cumulative prior years' losses are made up. As a result, if any of our subsidiaries in the PRC, incurs losses, such losses may impair its ability to pay dividends or other distributions to us, which would restrict our ability to pay dividends and to service our indebtedness. Our PRC subsidiaries are required to make monthly contributions to the social security plan maintained for their employees, consisting of pension benefits, personal injury insurance and medical and unemployment benefits. In addition, our PRC subsidiaries are also required to set aside at least 10% of their after-tax profits based on PRC accounting standards each year to their general reserves or statutory capital reserve fund until the cumulative amount of such reserves and fund reaches 50% of their registered capital. As at 30 September 2013, our statutory reserves amounted to approximately RMB15.2 million, and our accumulated profits that were unrestricted and were available for distribution to our Shareholders amounted to approximately RMB361.2 million. Our statutory reserves are not available for distribution as cash dividends.

Historical dividends are not indicative of future dividends

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, Hunan Huisheng declared and paid a dividend of RMB61.9 million, nil, nil and nil to its then shareholders. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. The amount of any dividends to be declared in the future will be subject to, among other factors, the discretion of our Directors, having considered our operations, earnings, financial condition, cash requirements and availability and other factors our Directors deem relevant.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The outbreak of swine diseases, animal diseases or other epidemics or the unauthorised use of brown meat essence could adversely affect our operations

An occurrence of swine diseases, such as highly pathogenic porcine reproductive and respiratory syndrome (高致病性豬繁殖與呼吸綜合症) (also known as blue-ear disease (藍耳病)), porcine circovirus (豬圓環病毒病) (which was identified in some of the dead hogs found in Huangpu River in the PRC in early 2013), swine parvovirus (豬細小病毒病), influenza A (H1N1) and swine eperythrozoonsis (豬附紅細胞體病) or any outbreak of other serious animal diseases or epidemics in the PRC or the unauthorised use of brown meat essence by hog farmers affecting animals or humans, might result in material disruptions to our operations, or the operations of our customers or suppliers or a decline in the food retail industry in the PRC as a result of fear of disease, any of which could have a material adverse effect on our operations and revenue. For example, the outbreak of porcine circovirus in early 2013 affected consumers' confidence in consuming pork products and affected our sales volume during this period.

In addition, as we are engaged in hog breeding, hog farming, hog slaughtering and pork processing, we may be directly required to suspend our business operation temporarily during the outbreak of swine diseases or other animal diseases. We or our Fattening Farmers may be required to exterminate large quantities of hogs if any of our live hogs are suspected to be infected and extra cost will be incurred on medication and vaccination. Our employees and staff may also be quarantined if they are identified as a possible source of spreading the disease. In any of these cases, our business, results of operations and financial condition would be adversely and materially affected.

There were outbreaks of animal diseases in the PRC during the Track Record Period, such as foot and mouth disease in 2010 in northern part of the PRC and porcine circovirus in early 2013 in Huangpu River regions in the PRC. There is no assurance that there will be no recurrence of any outbreak of animal diseases in the PRC or our Group's operation and financial position would not be affected.

The hog breeding, hog farming, hog slaughtering and pork processing industries in the PRC are subject to extensive government regulation, which is still evolving

The hog breeding, hog farming, hog slaughtering and pork processing industries in the PRC are highly regulated by a number of governmental agencies, including primarily the Ministry of Agriculture (農業部), the Ministry of Commerce, the National Health and Family Planning Commission (國家衛生和計劃生育委員會), the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and the Ministry of Environmental Protection (環境保護部). These regulatory bodies have broad discretion and authority to regulate many aspects of the hog breeding, hog farming, hog slaughtering and pork processing industries in the PRC, including, without limitation, setting hygiene standards for production, quality standards for processed meat products and environmental requirements on the treatment of sewage and wastes. In addition, the hog breeding, hog farming, hog slaughtering and pork processing regulatory framework in the PRC is evolving and new PRC laws and regulations may be introduced in the future. For example, it is now permissible in the PRC to add antibiotics in hog feed which fall outside the Drugs Varieties Catalogue Regarding the Prohibition on Use in Feed and Animal Drinking Water* (禁示在飼料和動物飲用水中使用的藥物品種目錄), whereas the use of antibiotics may be prohibited in some other countries. If the relevant regulatory authorities tighten the regulations on the use of antibiotics in hog feed or set standards which we are unable to comply with or which increase our production costs and hence our prices which render our products non-competitive, our ability to sell products in the PRC may be limited.

The hog slaughtering and pork processing industries in the PRC may face increasing competition, as well as increasing industry consolidation, which may affect our market share and profit margin

The hog slaughtering and pork processing industries in the PRC are highly competitive. We are facing increasing competition from both local and nationwide industry players. In addition, the evolving government regulations in relation to the hog slaughtering industry have driven a trend of consolidation of the industry, with smaller operators unable to bear the increasing costs of regulatory compliance such as environmental protection regulations and therefore at a competitive disadvantage.

Should the PRC government further tighten its control on environmental protection and qualification for slaughterhouses, our Group may incur higher operation cost in order to meet such higher quality standard and as a result, our financial position and results of operations may be adversely affected.

We cannot assure you that our current or potential competitors will not develop products of a comparable or superior quality to ours, or adapt more quickly than we do to evolving consumer preferences or market trends. Increased competition may also lead to price wars, counterfeit products or negative brand advertising, all of which may adversely affect our market share, the price of our products and profit margin. We cannot assure you that we will be able to compete effectively with our current or potential competitors.

RISKS RELATING TO THE PRC

All of our Group's business activities are located in the PRC. Accordingly, the results of operations, financial position and prospects of our Group are subject, to a significant degree, to the economic, political and legal developments of the PRC.

Political and economic policies of the PRC government could affect our Group's business

Before its adoption of the economic reforms and open policy in late 1970s, the PRC had been primarily a planned economy. With the commencement of the PRC government's effort to reform the Chinese economy in 1978, the PRC government introduced changes to its economic system, as well as the government structure. These reforms have led to significant economic growth and progress in social development. The PRC government still owns a significant portion of the productive assets in China. Economic reform policies have placed much emphasis on creating autonomous enterprises and the utilisation of market mechanisms. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation.

Our Directors anticipate that the PRC government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bring positive effect on our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations substantially based in the PRC, our operation and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC government. We may not be able to capitalise on economic reform measures adopted by the PRC government. We cannot assure you that the PRC government will not impose economic and regulatory controls that may adversely affect our Group's business, financial position and results of operations.

Our business operations may be subject to acts of God, acts of war and epidemics or pandemics which are beyond our control and which may cause damage, loss or disruption to our business

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics or pandemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some cities in the PRC are under the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts. For instance, a severe snowstorm hit the southern part of the PRC, in particular, Yangtze River Delta in January and February of 2008, resulting in a breakdown of the transportation system in the southern part of the PRC and loss of agriculture products in the said areas. In May and June 2008, a serious earthquake and its successive aftershocks hit Sichuan, leading to a tremendous loss of lives and injury and destruction of assets in the region. In April 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China.

Our business, results of operations and financial condition may be adversely affected in a material respect if such natural disasters occur in the PRC. A recurrence of Severe Acute Respiratory Syndrome (嚴重急性呼吸道綜合症) (also known as SARS) or outbreak of swine or avian influenza, or any epidemic in the PRC may result in material disruptions to the hog breeding, hog farming, hog slaughtering and pork processing industries or a slowdown of the PRC's economy, which may materially and adversely undermine our business, financial condition and results of operations. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our distribution channels and/or destroy our markets, which may materially affect our sales, costs, overall financial condition and results of operations. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

Our business and operations in the PRC are governed by the legal system of the PRC. The legal system in the PRC is based on statutory law. Under this system, prior court decisions may be cited for references but do not have binding precedential effect. Accordingly, the outcome of dispute resolution may not be consistent or predictable as in the other more developed jurisdictions.

Interpretation and enforcement of the PRC laws and regulations, including those regulating the hog breeding, hog farming, hog slaughtering and pork processing industries and foreign investments, may be subject to changes in policies and political environment. Different regulatory authorities may have different interpretation and enforcement of the hog breeding, hog farming, slaughtering and food processing industries policies and foreign investment policies, which requires companies to meet the policies requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies. If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries we are currently engaged in. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction of or close of the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, since the PRC economy is developing at a faster pace than its legal system and the PRC laws and regulations regarding hog breeding, hog farming, slaughtering and food processing industries and foreign investments are relatively new and evolving, there may be uncertainties as to whether and how existing laws and regulations will apply to certain circumstances or events, and until the development of the legal system is kept abreast of economic reforms and development in the PRC, such uncertainties are likely to remain. We cannot assure you that introduction of new laws and amendments to existing laws by the PRC government may not adversely affect our profitability and prospects.

For details of some of the relevant PRC laws and regulations to which our Group is currently subject, please refer to the section headed “Regulatory overview” in this prospectus.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to Shareholders, which is subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises (“**FIEs**”) are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

Furthermore, in 2005, China revalued the exchange rate of the RMB to the US dollars and abolished the pegging of the RMB solely to the US dollars as applied in the past. Instead, it is pegged against a basket of currencies. We cannot assure you that in the future China will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industries in which our Group operates, which could in turn affect the financial condition and operations of our Group.

Currently, substantially all of our revenue, expenses and bank loans are denominated in Renminbi, however we cannot guarantee that our financial portfolio will be free from any foreign currencies denominated securities or investments in the future.

The global financial crisis in 2008 has adversely affected the United States, the European countries and other world economies. There is no assurance that any recovery in the global economy is sustainable. The ongoing uncertainties in the global investment environment may cause fluctuations in exchange rates which may in turn adversely affect the value of our net assets, earnings or any declared dividends.

Distribution and transfer of funds may be subject to restrictions under the PRC law

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in our subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries, in particular our principal operating subsidiaries in the PRC.

Under the PRC laws, dividends from our subsidiaries in the PRC may only be paid out of distributable after-tax profits, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. Any distributable profits that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profits under PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to governmental approval and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by PRC governmental authorities. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities in banks in the future which restrict them from paying dividends to their shareholders.

Relevant PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our PRC EIT rate

Our Company is incorporated under the laws of the Cayman Islands and, following the Reorganisation, holds interests in our PRC subsidiaries indirectly through a Hong Kong-incorporated company. Pursuant to the PRC EIT Law and its implementation rules, which were enacted on 16 March 2007 and 6 December 2007 respectively, and both of which became effective on 1 January 2008, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10% will be applied to any dividends paid by PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied; otherwise, the dividend withholding tax rate is 10%.

According to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty Agreements* (國家税務總局關於執行税收協定股息條款有關問題的通知) ("**Notice 81**") promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

According to the Administrative Measures for Non-resident Enterprise to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) ("**Administrative Measures**") which came into force on 1 October 2009, in order for a non-resident enterprise (as defined under the PRC tax laws) that is in receipt of dividends from PRC resident enterprises to enjoy the favourable tax benefits under the tax arrangements, an application for approval to the competent tax authority must first be submitted. The non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties without such approval. In addition, the PRC EIT Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to PRC EIT at the rate of 25% on its worldwide income excluding equity-investment income such as dividends and bonuses between qualified resident enterprises. Substantially all members of our management are located in the PRC. We cannot rule out the possibility that our Company may also be deemed a PRC tax resident enterprise and therefore subject to an PRC EIT rate of 25% on our worldwide income (including dividend income received from our subsidiaries), which excludes equity-investment income such as dividends and bonuses between qualified resident enterprises. As a result of the uncertainty as to whether our Company will be deemed as a "non-PRC tax resident enterprise" and for reasons as set out above, the applicable tax rate in relation to the relevant members of our Group following the Reorganisation will be different from the basis adopted in the financial information of our Group and, as such, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares will be adversely affected. Further, dividends payable to corporate Shareholders outside the PRC may be subject to withholding tax at the rate of 10%. Hong Kong Huisheng would be subject to withholding tax of the PRC in the event that it receives profit distributed from Hunan Huisheng after the Reorganisation.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC

Currently substantially all of our assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with most western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

RISKS RELATING TO THE GLOBAL OFFERING

There has not been any prior public market for the Shares and an active trading market may not develop

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Global Offering, there has been no public market for the Shares. The Offer Price range has been determined through negotiation between our Company (for itself and on behalf of the Selling Shareholder) and the Global Coordinator (for itself and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the trading price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in our operating results;

- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of our Group and the investment environment;
- developments in the pork product industry;
- changes in pricing made by us or our competitors;
- the liquidity of the market for the Shares; and
- general economic and other factors.

The trading volume and share price of the Shares may fluctuate

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future sales of substantial amounts of the Shares in the public market may adversely affect the prevailing market price of the Shares

Except for the Shares issued or sold in the Global Offering, our Company has agreed with the Global Coordinator not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Global Coordinator. Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. The Global Coordinator may, in its discretion, waive or terminate these restrictions. Please refer to the paragraph headed "Underwriting arrangements and expenses — Hong Kong Public Offer" in the section headed "Underwriting" in this prospectus for a more detailed discussion of restrictions that may apply to future sale of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of sale of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

If the final Offer Price of our Offer Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering, subscribers and purchasers of our Offer Shares will experience an immediate dilution in the pro forma adjusted consolidated net tangible asset.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our Shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the consolidated net tangible asset per Share if we issue additional Shares in the future at a price which is lower than the consolidated net tangible asset per Share.

Investors should not place undue reliance on information in this prospectus in relation to our future profits

Save as the estimate of the consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 as set out in the paragraph headed "Profit estimate for the year ended 31 December 2013" under the section headed "Financial information" and the paragraph headed "Unaudited pro forma estimated earnings per Share" set out in Appendix II to this prospectus, no statement in this prospectus is intended to constitute a profit forecast or profit estimate of our Group for any period, nor should any statement be interpreted to mean that earnings or earnings per Share will necessarily be greater or lesser than those for the relevant preceding financial periods for our Group. In particular, Mr. Ding has provided certain profit guarantee in favour of Hunan HTVC for each of the three financial years ending 31 December 2015. Please refer to the paragraph headed "Pre-IPO investments" in the section headed "Corporate history, development and Reorganisation" in this prospectus for details. The profit guarantee is purely a private arrangement between Mr. Ding and Hunan HTVC and does not constitute a profit forecast of our Group under Rules 11.16 to 11.19 of the Listing Rules. Such profit guarantee and other information in relation to our future profits were not determined or prepared on a basis that is consistent with the accounting policies normally adopted by our Group. Neither have they been reviewed nor reported on by the Reporting Accountants. Investors should not place undue reliance on such information.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including various official government publications and communications with various official government agencies. Whilst our Directors and the Sponsor have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources, the quality or reliability of such source materials cannot be guaranteed and have not been prepared or independently verified by us, the Selling Shareholder, the Sponsor, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

For the purpose of the Listing, our Company has sought the following waivers and exemption from the Stock Exchange and the SFC in relation to certain requirements under the Listing Rules and the Companies Ordinance.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that our Group's principal business operations are primarily located, managed and conducted in the PRC, substantially all of our Group's senior management are, and will continue to be, based in the PRC and currently, none of the executive Directors is ordinarily resident or otherwise based in Hong Kong. Our Company does not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Our Company has appointed Mr. Yu Jishi (于濟世) (an executive Director) and Mr. Foo Tin Chung, Victor (our company secretary) as the two authorised representatives of our Company pursuant to Rule 3.05 of the Listing Rules. Mr. Yu has confirmed that he possessed valid travel documents and can travel to Hong Kong within reasonable time. Each of the authorised representatives has confirmed that they will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives will be authorised to communicate on behalf of our Company with the Stock Exchange.

Accordingly, an application has been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the conditions that our Company will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our Company:

(a) our authorised representatives will act as our principal channel of communication with the Stock Exchange, and should have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(b) each of our Directors who is not ordinarily resident in Hong Kong possesses valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(c) our compliance adviser, CICL, will act as our additional channel of communication with the Stock Exchange; and

(d) each of our Directors will provide the Stock Exchange with their respective mobile and office phone numbers, e-mail addresses and fax numbers.

WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES ORDINANCE

According to Rule 4.04(1) of the Listing Rules, our Company is required to include in this prospectus an Accountants' Report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

Similarly, section 342(1) of the Companies Ordinance stipulates that our Company should state the matters specified in Part I of the Third Schedule to the Companies Ordinance and set out the reports specified in Part II of that Schedule in this prospectus. Under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance, our Company is required to include in this prospectus (i) a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group; and (ii) a report by our auditors with respect to the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

The Accountants' Report set forth in Appendix I to this prospectus contains the audited consolidated results of our Group for each of the three financial years ended 31 December 2012 and the nine months ended 30 September 2013, and is in compliance with the requirements under Rule 8.06 of the Listing Rules. However, strict compliance with Rule 4.04(1) of the Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would be unduly burdensome for us as there would not have been sufficient time for the Reporting Accountants to complete and finalise the audit of the consolidated financial statements of our Group for the full financial year ended 31 December 2013 for inclusion in this prospectus.

Accordingly, an application has been made to the SFC for an exemption, and the SFC has issued a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with the requirements of paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance subject to the following conditions:

(a) this prospectus shall be issued on or before 17 February 2014; and

(b) the particulars of the exemption be set forth in this prospectus.

An application has also been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules subject to the following additional conditions:

(a) the Listing Date shall not be later than three months after the latest financial year end of our Company, i.e. on or before 31 March 2014;

(b) the SFC granting a certificate of exemption from strict compliance with the requirements set out in section 342(1)(b) of the Companies Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;

(c) the requirements under Rule 8.06 of the Listing Rules shall be complied with;

(d) a profit estimate for the financial year ended 31 December 2013 in compliance with Rules 11.17 to 11.19 of the Listing Rules shall be included in this prospectus;

(e) a Directors' statement that there is no material adverse change to the financial and trading positions or prospects of our Group with specific reference to the trading results from 1 October 2013 to 31 December 2013 shall be included in this prospectus; and

(f) we shall publish our results announcement for the financial year ended 31 December 2013 no later than 31 March 2014 in compliance with Rule 13.49(1)(ii) of the Listing Rules.

Our Directors have confirmed that the exemption and the waiver as mentioned above would not prejudice the interests of the investing public based on the following circumstances:

(a) after performing all due diligence work which our Directors consider to be necessary, there has been no material adverse change in the financial and trading positions or prospects of our Group since 30 September 2013 and up to the date of the application of exemption and waiver and which our Directors will ensure to remain to be the case up to the date of this prospectus;

(b) there is no event which would materially affect the information as contained in the Accountants' Report of our Group (as set out in Appendix I to this prospectus), the section headed "Financial information" in this prospectus and other parts of this prospectus and any such event, if occurs subsequently, will be disclosed in this prospectus;

(c) they do not contemplate any change to the share capital structure of our Group up to the completion of the Global Offering, save as disclosed in this prospectus; and

(d) on the basis of the above, our Directors consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities and financial position of our Group has already been included in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

The Global Offering comprises the International Offering and the Hong Kong Public Offer. Details of the structure and conditions of the Global Offering are set out in the section headed "Structure of the Global Offering" in this prospectus. This prospectus is published in connection with the Global Offering and, together with the related Application Forms, set out the terms and conditions of the Global Offering.

The Global Offering is sponsored by the Sponsor, and the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters. Full information relating to the Underwriters and the underwriting arrangements, is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be fixed by agreement between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or around Friday, 21 February 2014 and, in any event, not later than Thursday, 27 February 2014.

If, for any reason, the Offer Price is not agreed between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON THE OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription or acquisition solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Global Coordinator, the Bookrunner, the Lead Manager, the Sponsor, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants of the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants of the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme. No part of the share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

ELIGIBILITY FOR CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

REGISTER OF MEMBERS

Our Company's principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. All Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered with our Hong Kong Branch Share Registrar in Hong Kong.

Unless we determine otherwise, dividends will be paid in Hong Kong dollars to our Shareholders, as recorded in our branch register, by ordinary post at our Shareholders' risk, to the registered address of each Shareholder.

STAMP DUTY

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Global Coordinator, the Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

OVER-ALLOCATION AND STABILISATION

In connection with the Global Offering, the Stabilising Manager or its affiliates or any person acting for it, as stabilising manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct such stabilisation. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, our Company has granted to the Global Coordinator (on behalf of the International Underwriters) the Over-allotment Option, which will be exercisable in full or part at the sole discretion of the Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to allot at the Offer Price up to an aggregate of additional 18,000,000 Shares, representing 15% of the initial number of Offer Shares, at the Offer Price to cover, among other thing, over-allocations in the International Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure of the Global Offering" in this prospectus.

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the International Offering, the Lead Manager may borrow up to 18,000,000 Shares from Huimin, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement in compliance with Rule 10.07(3) of the Listing Rules. Details of such stock borrowing arrangement are set out under the paragraph headed "Stabilisation action" in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this English prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 28 February 2014, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 28 February 2014, and will be traded in board lots of 2,000 Shares.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ding Biyan (丁碧燕) *(Chairman)*	Unit 47, No. 32 Nanzhushanxiang Chengdong, Wuling District Changde City, Hunan Province PRC	Chinese
Yu Jishi (于濟世)	603, Unit C, Tower 1 Panchijiayuan Chengbei, Wuling District Changde City, Hunan Province PRC	Chinese
Ding Jingxi (丁敬喜)	Unit 58, No. 8 Nanzhushanxiang Chengdong, Wuling District Changde City, Hunan Province PRC	Chinese
Zhou Shigang (周詩剛)	No. 3, Lane 1, Tiyudonglu Chengnan, Wuling District Changde City, Hunan Province PRC	Chinese
Non-executive Director		
Zhang Zhizhong (張志忠)	Unit 12, Longzigangcun Shigongqiaozhen, Dingcheng District Changde City, Hunan Province PRC	Chinese
Independent non-executive Directors		
Ma Yiu Ho, Peter (馬遙豪)	Flat C, 8/F Tower 3, Sausalito 1 Yuk Tai Street Ma On Shan, New Territories Hong Kong	Chinese
Deng Jinping (鄧近平)	Room 904, Block B Xiaogaoceng, 289 Chezhanbeilu Furong District Changsha City, Hunan Province PRC	Chinese
Liao Xiujian (廖秀健)	No. 1 Nongdalu Furong District Changsha City, Hunan Province PRC	Chinese

PARTIES INVOLVED

Sponsor	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Global Coordinator, Bookrunner and Lead Manager	Cinda International Securities Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law* Cheung & Lee in association with Locke Lord (HK) LLP 21/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law* Jingtian & Gongcheng 34/F Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC *As to Cayman Islands law* Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sponsor and the Underwriters	*As to Hong Kong law* Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong

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Selling Shareholder	Huimin Holdings Limited Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town Tortola British Virgin Islands

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Company secretary	Mr. Foo Tin Chung, Victor (傅天忠) *HKICPA, CPA (Aust.)*
Authorised representatives (for the purpose of the Listing Rules)	Mr. Yu Jishi (于濟世) 603, Unit C, Tower 1 Panchijiayuan Chengbei, Wuling District Changde City, Hunan Province PRC
	Mr. Foo Tin Chung, Victor (傅天忠) Flat D, 17/F 8 Nassau Street Mei Foo Sun Chuen Lai Chi Kok Hong Kong
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Remuneration committee	Mr. Liao Xiujian (廖秀健) *(Chairman)* Mr. Ding Biyan (丁碧燕) Mr. Ma Yiu Ho, Peter (馬遙豪)
Nomination committee	Mr. Deng Jinping (鄧近平) *(Chairman)* Mr. Yu Jishi (于濟世) Mr. Liao Xiujian (廖秀健)

Compliance adviser	Cinda International Capital Limited
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Hong Kong Branch Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Principal bankers	China Construction Bank Corporation Changde City, Wuling Branch No. 677 Wulingdadao, Hongshengshequ Chengxibanshichu, Wuling District Changde City PRC
	Industrial and Commercial Bank of China Limited Changde City, Deshan Branch No. 32 Deshanzhonglu Changde City PRC
	Huarong Xiangjiang Bank Changde Branch No. 318, Langzhoulu Wuling District, Changde City PRC
Company website address	**www.hsihl.com** *(Note:* Contents in this website do not form part of this prospectus*)*

This section contains certain information which has been derived from official, market and other third party sources. Our Directors believe the sources of such information are appropriate sources for the information. We have exercised reasonable care in selecting and identifying the named information sources and in compiling, extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such facts and statistics have not been independently verified by our Company, our Directors, the Selling Shareholder, the Global Coordinator, the Bookrunner, the Sponsor, the Lead Manager, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Global Offering. None of them makes any representation as to the accuracy or completeness of such information which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

Certain information and statistics are extracted from the Ipsos Report. The information extracted from the Ipsos Report reflects an estimate of market conditions based on Ipsos' research and analysis. The information extracted from the Ipsos Report should not be viewed as a basis for investment provided by Ipsos and references to the Ipsos Report should not be considered as Ipsos' opinion as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Selling Shareholder, the Global Coordinator, the Bookrunner, the Sponsor, the Lead Manager, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Global Offering have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.

Report prepared by Ipsos

We commissioned Ipsos, an independent market research company to conduct an analysis of, and to report on, hog husbandry and slaughtering, and pork distribution in the PRC from 2006 to 2013. The information and analyses contained in the Ipsos Report was assessed independently by Ipsos and Ipsos, including all its subsidiaries, divisions, and units, is not connected to our Group in any way. The report has been prepared by Ipsos independently at a total fee of approximately HK$0.3 million, which our Directors consider to reflect market rates.

Ipsos' independent research was undertaken through both primary research and other researches. Primary research involves interviewing key stakeholders including industry association and experts, hog husbandry and slaughtering operators, and pork distributors and retailers in the PRC.

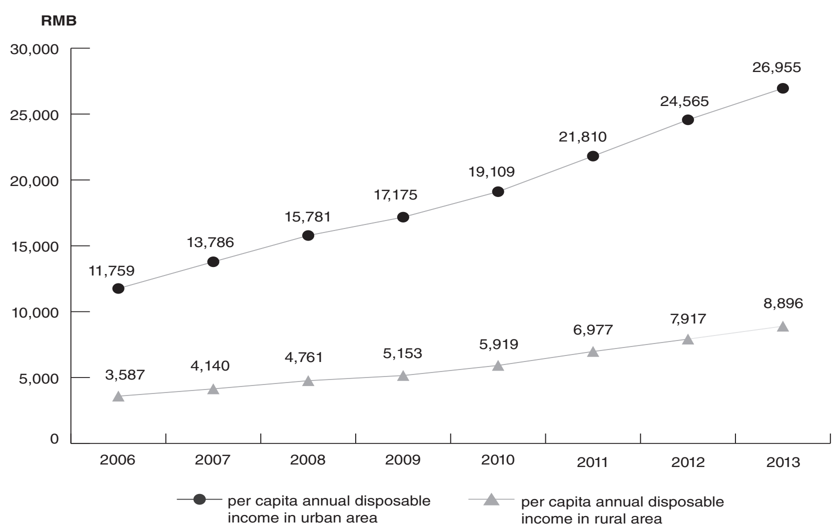
Ipsos is an independent market research company. It is part of Ipsos SA., founded in Paris, France, in 1975, listed on the Paris stock exchange (NYSE Euronext Paris) since 1999 and employed approximately 16,000 personnel worldwide across 85 countries. It acquired Synovate Limited in October 2011. Ipsos conducts researches on market profiles, market size, share and segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

When preparing its report, Ipsos gathered data and intelligence by conducting desktop researches, face-to-face and telephone interviews with key industry players and industry experts, hog husbandry and slaughtering operators and pork products distributors and retailers. Ipsos considers that this methodology provides a full and multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy. Intelligence gathered was analysed, assessed and validated using its in-house analysis models and techniques.

OVERVIEW OF PORK CONSUMPTION IN THE PRC

The rapid development of the PRC's economy has uplifted household income and living standards. Per capita annual disposable income in urban area grew at a CAGR of approximately 12.6% while that in rural area grew at a CAGR of approximately 13.9% from 2006 to 2013.

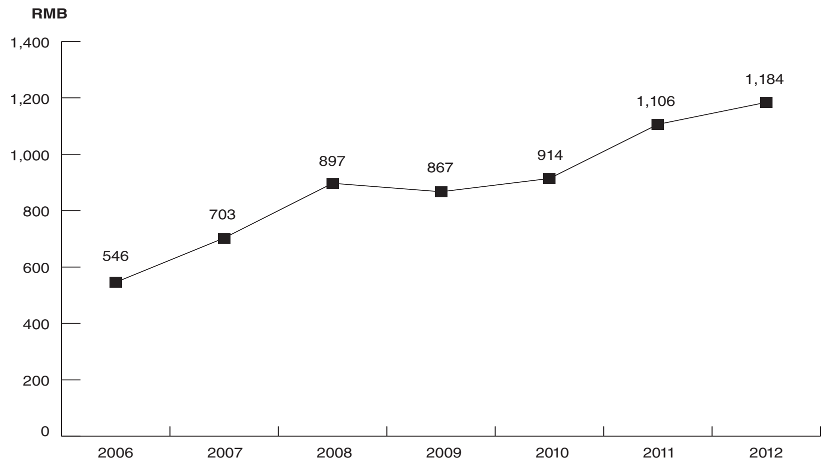
Per capita disposable income in urban and rural areas in the PRC



Sources: National Bureau of Statistics of the PRC, Ipsos Report

Increase in annual disposable income in both urban and rural area has raised the demand for pork in the PRC. The per capita expenditure of urban households for meat, poultry and processed products grew from 2006 to 2012 at a CAGR of approximately 13.8%.

Per capita annual expenditure on meat, poultry and processed products in the PRC



Sources: National Bureau of Statistics of the PRC, Ipsos Report

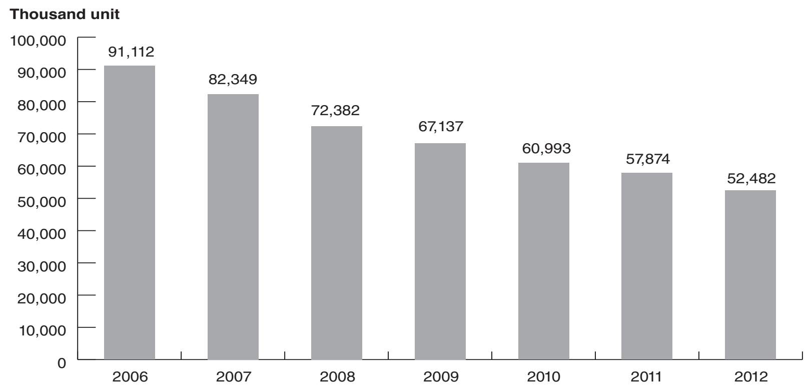
Among all the meat products, pork is the most widely consumed in the PRC, contributing to about 60% of the total meat consumption within the nation. Currently, the PRC is the largest pork producer and consumer in the world. In 2012, total pork production and consumption in the PRC amounted to approximately 53.4 million tons, accounted for about 50% of world's total production and consumption. Its pork export market is also growing fast with Hong Kong, Kyrgyzstan and Macau being the top three traditional Chinese export markets accounting for nearly 90.0% of the PRC's total export for pork.

HOG HUSBANDRY AND SLAUGHTERING INDUSTRY IN THE PRC

Hog Husbandry Industry in the PRC

There were approximately 52.5 million hog farms in the PRC in 2012 comprising backyard farms (farming 1–49 heads per farm), commercial farm (farming 50–3,000 heads per farm) and specialised farm (farming more than 3,000 heads per farm). As a result of urbanisation and migrations of rural labour to cities, backyard farms are replaced by larger sized commercial farms and specialised farms. The number of hog farms in the PRC declined at a CAGR of approximately 8.8% from 2006 to 2012. The PRC government launched various policies to encourage the development of standardised and large-scale hog farms, such as the "Program for subsidising standardised hog farms" (補貼生豬標準化規模養殖場(社區)建設專案) launched in March 2008 to subsidise hog farms with annual hog output capacity of above 500 heads and the "State Council's Opinion on fostering the development of hog production and stabilising the hog supply" (國務院關於促進生豬生產發展穩定市場供應的意見) which required local governments to take measures to encourage the development of large-scale and standardised hog farms.

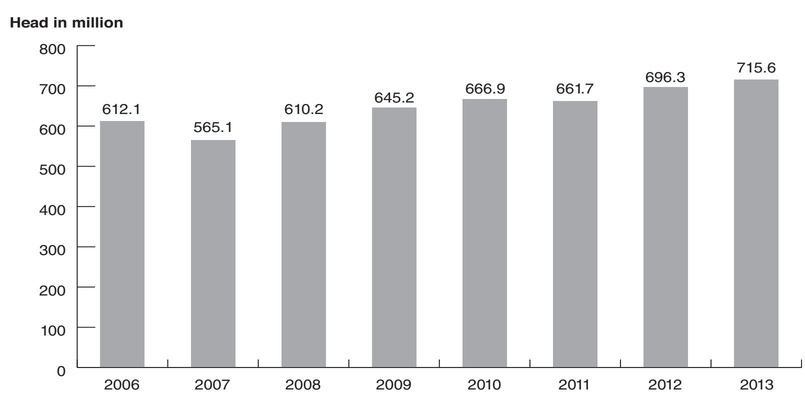
Number of hog farms in the PRC



Sources: National Bureau of Statistics of the PRC, China Animal Husbandry Yearbook, Ipsos Report

Despite the decrease in the total number of hog farms, the total output of hogs in the PRC grew from approximately 612.1 million heads in 2006 to approximately 715.6 million heads in 2013 representing a CAGR of approximately 2.3%. The total output of hogs in the PRC in 2013 increased by approximately 2.8% as compared to that of the same period in 2012.

Number of output of hogs in the PRC



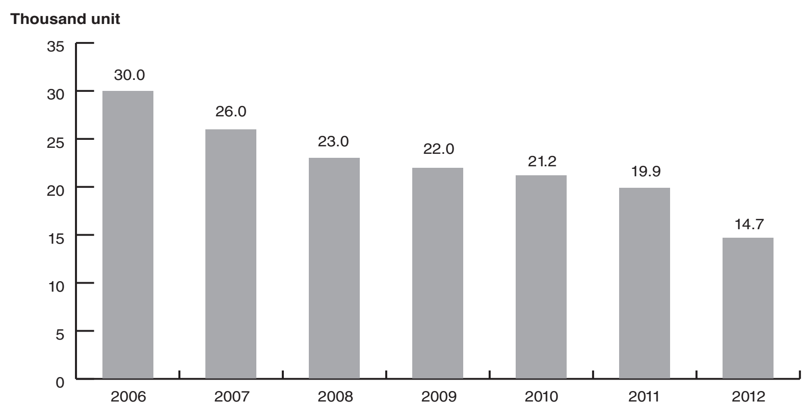
Sources: National Bureau of Statistics of the PRC, Ipsos Report

The number of output of hogs dropped in 2007 due to an outbreak of the highly pathogenic porcine reproductive and respiratory syndrome ("**PRRS**"), high price of hog feed along with growing food safety concern in the PRC. The number of output of hogs rebounded in 2008 because the government implemented policies to stabilise hog production. Among the hogs farmed in the PRC, three-breed crossbreed swine was the most popular specie, representing approximately 42.4% of the total number of hogs in 2013.

Hog Slaughtering Industry in the PRC

There were approximately 14,700 government certificated slaughterhouses (定點屠宰企業) in the PRC in 2012, comprising large-scale hog slaughtering and pork processing enterprises as well as some traditional and small-scale slaughterhouses which were scattered across the country. The top ten provinces in the PRC in terms of pork production were Sichuan, Henan, Hunan, Shandong, Hubei, Guangdong, Hebei, Yunnan, Guangxi and Anhui, which together accounted for approximately 63% of the total pork production in the PRC in 2012.

Number of slaughterhouses in the PRC

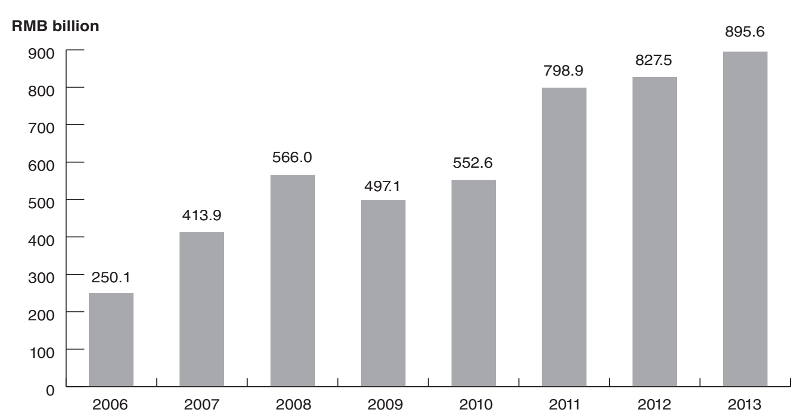


Note: The number of slaughterhouses excludes unauthorised slaughterhouses and only reflects the government certificated slaughterhouses (定點屠宰企業)

Sources: National Bureau of Statistics of the PRC, China Animal Husbandry Yearbook (中國畜牧業年鑒), Ipsos Report

The decrease in the number of hog slaughterhouses at a CAGR of approximately 11.2% from 2006 to 2012 was largely a result of industrialisation and consolidation with smaller players exiting the market. The share of illegal slaughtering also declined sharply as the government tightened its control over hog slaughtering. Despite the decrease in the number of slaughterhouses in the PRC, the total output value and volume of hogs slaughtered by the government certificated slaughterhouses in the PRC grew at a CAGR of approximately 20.0% and 8.4% from 2006 to 2013 respectively.

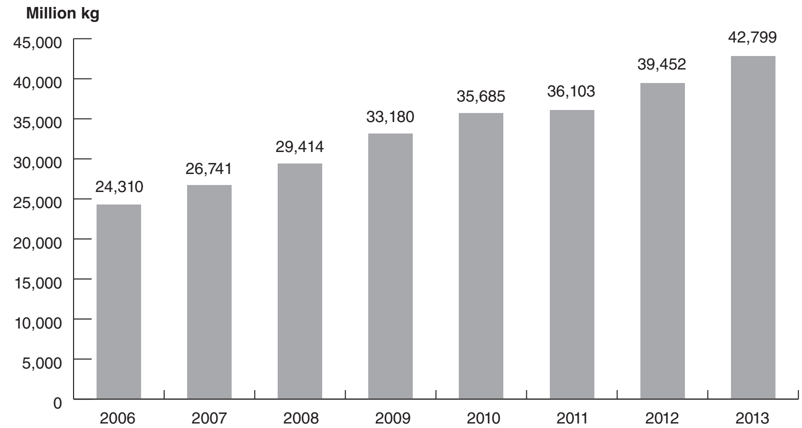
Output value of hogs slaughtered in the PRC



Note: The output value reflects data from the government certificated slaughterhouses (定點屠宰企業)

Sources: National Bureau of Statistics of the PRC, Ipsos Report

Output volume of hogs slaughtered in the PRC



Note: The output volume reflects data from the government certificated slaughterhouses (定點屠宰企業)

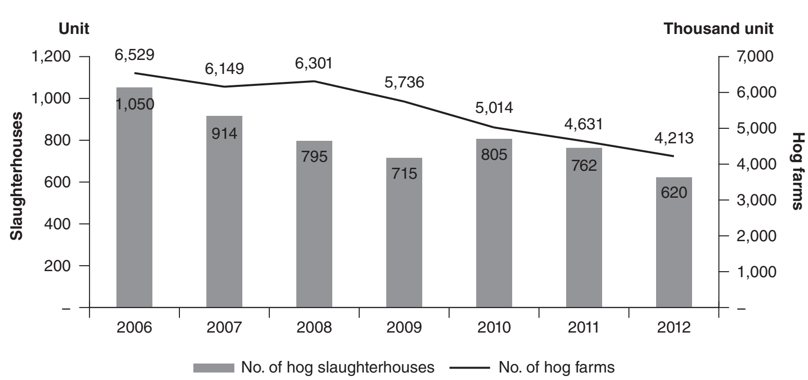
Sources: National Bureau of Statistics of the PRC, Ipsos Report

The output value grew at a faster rate than the output volume because of the increase in pork price over the same period. The increase in pork price was mainly due to a number of factors, including urbanisation, increase in income and consumption, and the rise in the cost of feed and price of finishers. The drop in the output value of hogs slaughtered by the government certificated slaughterhouses in 2009 was due to the combined effect of the increase in the total supply of hogs and the drop in the pork price as a result of the financial crisis in 2008 which impacted on the Chinese economy.

Overview of Hog Husbandry and Hog Slaughtering Industry in Hunan Province

Hunan Province was one of the major pork production provinces in the PRC with the number of hog farms and slaughterhouses accounting for approximately 8.3% and 4.2% of the respective total number in the PRC in 2012.

Number of hog farms and slaughterhouses in Hunan Province

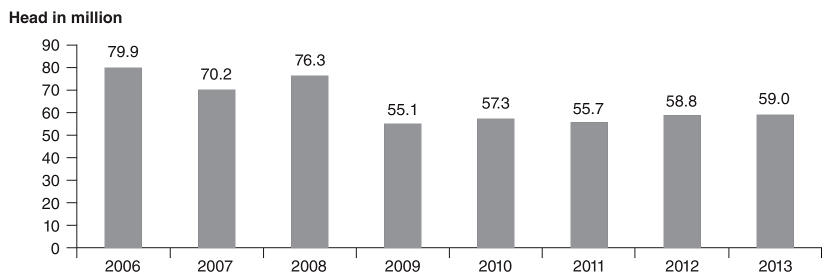


Note: The number of slaughterhouses excludes unauthorised slaughterhouses and only reflects the government certificated slaughterhouses (定點屠宰企業)

Sources: National Bureau of Statistics of the PRC, China Animal Husbandry Yearbook (中國畜牧業年鑒), Ipsos Report

In line with the PRC's overall industry trend and government policies, both of the total number of hog farms and slaughterhouses in Hunan Province declined from 2006 to 2012 at a CAGR of approximately 7.0% and 8.4% respectively. In 2013, the number of output of hogs in hog farms in Hunan Province amounted to approximately 59.0 million heads, accounting for approximately 8.2% of the total output of hogs in the PRC.

Number of output of hogs in Hunan Province

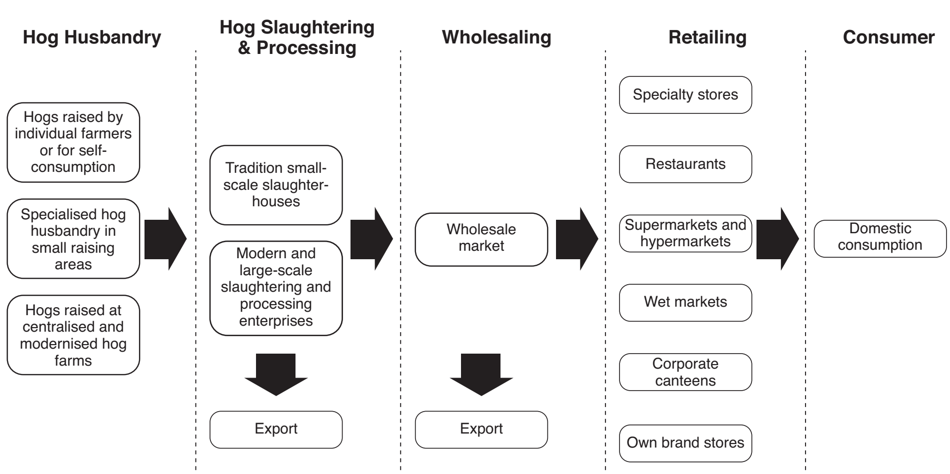


Sources: National Bureau of Statistics of the PRC, Ipsos Report

The fluctuation in the number of output of hogs during the period from 2006 to 2009 was mainly due to the decrease in the number of hog farms in Hunan Province, the outbreak of PRRS and H1N1 in 2007 and 2009 respectively. Since 2009, the number of output of hogs raised in Hunan Province has remained stable. In 2013, the number of output of hogs in Hunan Province increased approximately 0.3% as compared to 2012.

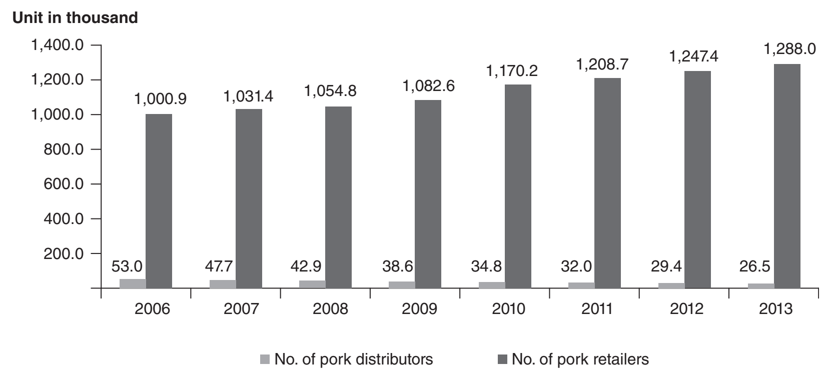
PORK MARKET IN THE PRC

The diagram below sets out the distribution channel of pork in the PRC:



Traditionally, wet markets are the most common place for pork purchase, especially fresh pork. Approximately 70.0% of the pork purchase took place in the local wet markets in 2013. On the other hand, supermarkets and hypermarkets are becoming consumers' new favorite place in purchasing pork and processed pork products because of their stable source and quality of the pork products. With the increase in awareness of food safety, an increasing number of supermarkets and hypermarkets are offering chilled and frozen pork. The graph below sets out the total number of pork distributors and retailers in the PRC.

Number of pork distributors and retailers in the PRC



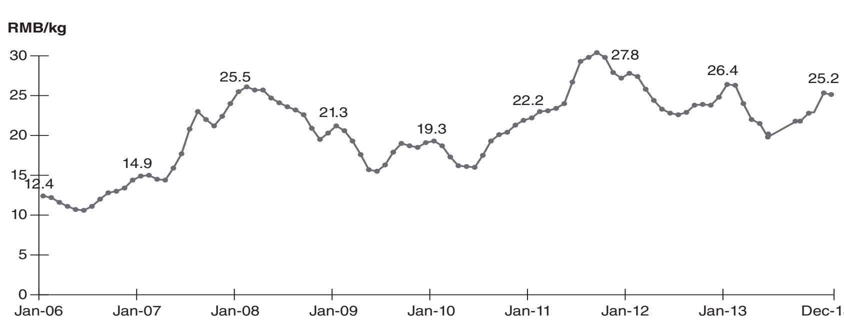
Source: Ipsos Report

Although the change in consumption habit has given rise to more opportunities for pork retailers, the decline in the number of slaughterhouses in the PRC has hampered opportunities for pork distributors in the PRC. As the number of slaughterhouses decreased, many distributors and wholesalers lost their source of pork and could not sustain their business. Further, due to market consolidation, some small players withdrew from the market. The total number of pork distributors decreased at a CAGR of approximately -9.4% from 2006 to 2013. On the other hand, the number of pork retailers increased at a CAGR of approximately 3.7% from 2006 to 2013. The slight increase in the number of pork retailers was largely a result of the increase in the number of supermarkets and specialty stores.

Wholesale Price Trend of Pork in the PRC

The graph below sets out the average wholesale price of pork in the PRC from January 2006 to December 2013.

Average wholesale price of pork in the PRC



Note: Excluding the sale of side products from slaughtering process which include internal organs, heads, tongues, hooves, tails, hair, skin and blood of hogs.

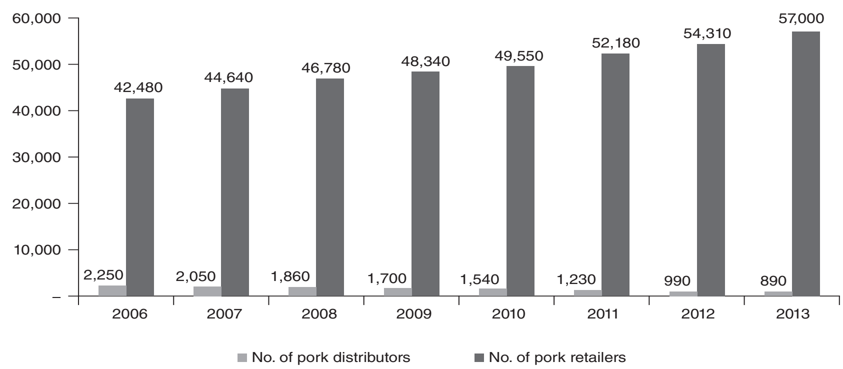
Sources: China Animal Husbandry Yearbook (中國畜牧業年鑒), China Animal Industry Magazine (中國畜牧業雜誌), Ipsos Report

The average wholesale price of pork increased significantly from about RMB12.4 per kilogram in January 2006 to RMB26.4 per kilogram in January 2013. The price of live hogs has a strong influence on the price of pork. In line with the wholesale price of finishers, the short supply of finishers in the PRC caused the price of pork to surge since 2006. The decrease in the pork price from 2008 to 2010 was mainly due to the increase in the total supply of hogs and as a result of the financial crisis in 2008 which impacted on the Chinese economy. However, in 2011 the outbreak of epidemic diseases, resulted in a short supply of hogs, caused the price of finishers to surge in 2011, which in turn caused the pork price to surge.

Overview of Pork Distribution in Hunan Province

In line with the national market, the total number of pork distributors in Hunan Province decreased from approximately 2,250 to 890 due to the declining number of slaughterhouses in Hunan Province. However, with technological advances in the industry, more large-scale and modern slaughtering enterprises in Hunan Province were established to distribute pork to retailers directly. The number of pork retailers increased at a CAGR of approximately 4.3% from 2006 to 2013 because of the increasing number of branches of supermarkets and own brand stores.

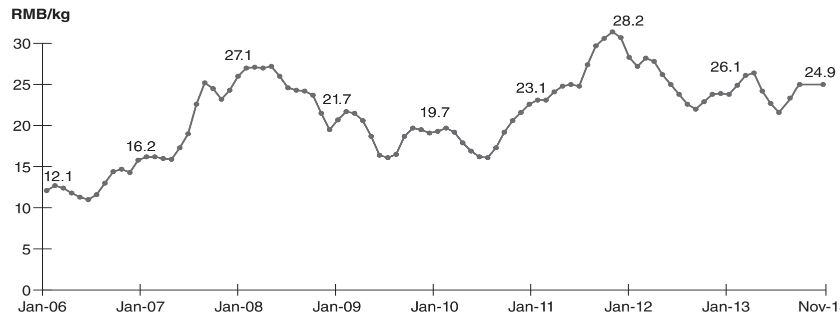
Number of pork distributors and retailers in Hunan Province



Source: Ipsos Report

From January 2006 to January 2013, the wholesale price of pork in Hunan Province in general grew from RMB12.1 to RMB26.1. The fluctuation of prices was in line with the overall price trend of the PRC.

Wholesale price of pork in Hunan Province



Note: For each of the three years ended 31 December 2012 and the eleven months ended 30 November 2013, the average wholesale prices of pork in Hunan Province were approximately RMB19.2 per kg, RMB27.3 per kg, RMB24.6 per kg and RMB24.2 per kg respectively.

Sources: China Animal Husbandry Yearbook (中國畜牧業年鑒), China Animal Industry Magazine (中國畜牧業雜誌), Ipsos Report

Overview of Pork Distribution in Changde

The pork distribution market of Changde is very fragmented. Most of the pork products are distributed within Hunan Province. There were 12 "Class A Hog Slaughtering Enterprises" (A類生豬定點屠宰企業) in Changde recognised by the PRC Government in 2013. As at the Latest Practicable Date, our Wuling Slaughterhouse was the only one located in Changde City Areas. In principle, there is no geographical limit on pork distribution for "Class A Hog Slaughtering Enterprises" within Changde.

Basically, "Class A Hog Slaughtering Enterprises" are hog slaughtering enterprises recognised by the PRC Government that their facilities and production technique can meet higher quality and safety standards compared to other hog slaughtering enterprises. With such reputation, consumers tend to have higher confidence in the pork products offered by "Class A Hog Slaughtering Enterprises", while these pork products are generally regarded as more high-end and can be sold to different types of customers, like supermarkets, food processing enterprises and large-scale pork wholesalers.

In 2013, there were approximately 160 pork wholesalers and 1,730 pork retailers in Changde. Wet markets were the key pork distribution channel in Changde, accounting for approximately 85% of the total retail sales value of pork in Changde; while corporate retail shops (or specialty stores) and supermarkets shared the remaining 15% of the total retail sales value of pork.

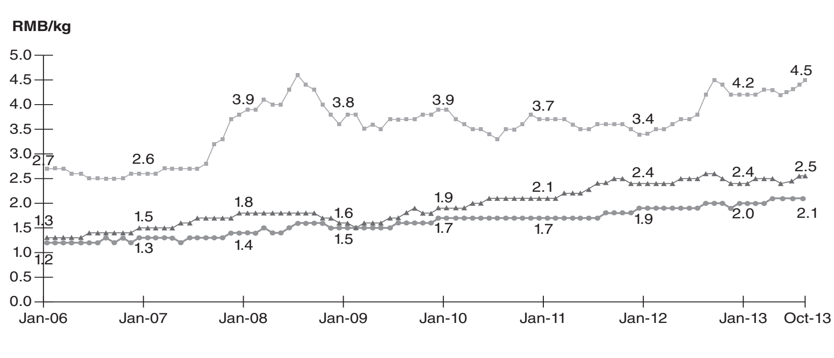
Set out below is a map of Hunan Province, Changde City and Changde City Areas which are drawn to scale:

HISTORICAL PRICE TREND OF RAW MATERIALS, PIGLETS AND FINISHERS

Price Trend of Hog Feed in the PRC

The graph below sets out the average price of the major raw materials of hog feed in the PRC from January 2006 to October 2013. Growth in the price of hog feed was mainly attributed to inflation which formed an upward pressure on the price of corn, soymeal and wheat.

Average price of major raw materials of hog feed

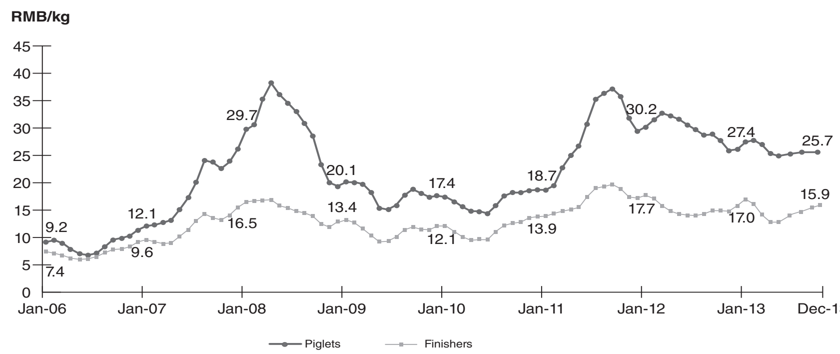


Sources: Ministry of Commerce of the PRC, China Animal Industry Magazine (中國畜牧業雜誌), Ipsos Report

Price Trend of Piglets and Finishers in the PRC

The graph below sets out the average wholesale price of piglets and finishers in the PRC from January 2006 to December 2013.

Average wholesale price of piglets and finishers in the PRC



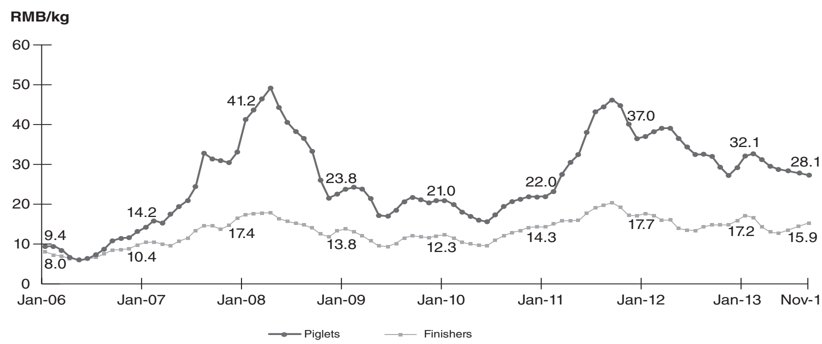
Sources: China Animal Husbandry Yearbook (中國畜牧業年鑒), China Animal Industry Magazine (中國畜牧業雜誌), Ipsos Report

The average wholesale price of piglets grew from approximately RMB9.2 per kilogram in January 2006 to approximately RMB27.4 per kilogram in January 2013, while wholesale price of finishers increased from approximately RMB7.4 per kilogram in January 2006 to approximately RMB17.0 per kilogram in January 2013. The increase in the price of finishers from 2006 to 2008 was mainly due to the cyclical changes in the price of hogs, increase in the price of hog feed, inflation, and shortage of hogs. However, the increase in the price of finishers in 2007 and 2008 increased the income for industry players in the husbandry industry and attracted more capital investment into the market. Such increase in capital investment caused an increase in the supply of piglets. As it takes approximately 1.5 years for piglets to grow into finishers, the price of finishers started to drop since early 2008 because of the increase in supply of finishers. Furthermore, the PRC Government provided subsidies to hog farms in 2007 to 2008 to encourage the production of hogs, which attracted a large number of new entrants to enter the hog husbandry market and increased the supply of hogs as well. The average price of piglets and finishers dropped to RMB16.7 per kilogram and RMB11.5 per kilogram respectively in 2010. The increase in the supply of hogs drove down pork prices. The low pork prices in 2010 in turn drove some hog farms out of the market. Further, an outbreak of swine disease also resulted in a massive death of piglets leading to a shortage in the supply of finishers and a surge of the price of finishers since 2011.

Price of Piglets and Finishers in Hunan Province

The fluctuations of the prices of piglets and finishers in Hunan Province were generally in line with the overall trend in the PRC. The following graph sets out the average wholesale price of piglets and finishers in Hunan Province from January 2006 to November 2013.

Average wholesale price of piglets and finishers in Hunan Province



Sources: China Animal Husbandry Yearbook (中國畜牧業年鑒), China Animal Industry Magazine (中國畜牧業雜誌), Ipsos Report

COMPETITIVE LANDSCAPE OF THE PRC HOG INDUSTRY

Market Competition in the PRC

The hog industry (comprises hog husbandry, hog slaughtering and pork distribution) in the PRC is fragmented with no single player taking up more than 5% of the market. The top 10 players by revenue all engage in hog husbandry, slaughtering and retailing, sharing in aggregate approximately 7.8% of the total market in 2012. The hog slaughtering market is composed of small slaughterhouses in majority, with large-scale slaughtering enterprises sharing approximately 11.4% of the total number of slaughterhouses in the PRC. We ranked within the top 20 slaughterhouses among the 2,400 large-scale slaughterhouses in the PRC in terms of revenue in 2012.

Market Competition in Hunan Province

Hunan Province ranked fifth and second by hog production value and volume respectively, in the PRC in 2012. In 2012, the total market revenue of pork in Hunan Province accounted for approximately 8.0% of the total market revenue in the PRC. The hog industry (comprises hog husbandry, hog slaughtering and pork distribution) in Hunan Province was fragmented with no player sharing more than 2% of the total market value in 2012. We shared approximately 0.9% of the total market revenue of Hunan Province in 2012. The table below sets out the revenue of the top five hog husbandry, slaughtering, distribution and retailing enterprises in Hunan Province.

Rank	**Company**	**Factory location**	**Share of revenue in Hunan Province** *(%)*
1	Company A	Xiangtan	2.0%
2	Company B	Changsha	1.0%
3	Our Company	Changde	0.9%
4	Company C	Changsha	0.8%
5	Company D	Shaoyang and Hengshan	0.6%

Sources: Company annual reports, Hunan Meat Association, Changsha Commerce Bureau, Ipsos Report
Note: Total revenue = wholesale sales value of pork sold in Hunan province in 2012

Market Potential and Opportunities in the PRC

The change in consumption habit from economical choices to quality choices brought about by urbanisation and increasing income of the rural population will drive the industry's growth significantly. Increasing pace of living will change the consumption of pork from household to dine-out consumption.

Chilled pork will increase its share in the market. Traditionally, fresh pork has dominated the market and has long been the top preference for consumption. It is perceived as the freshest and nutritional choice amongst all types of pork. However, due to the change in consumption habit and rising concern for food safety, the share of fresh pork in sales value had dropped from approximately 62.5% to approximately 52.9% from 2006 to 2013, whilst the share of chilled pork increased from approximately 2.9% to approximately 21.8% in the same period. The better hygiene of chilled pork is the main reason for the switching behavior. Eyeing on the increasing opportunities, the industry will focus on enhancing the chilled pork distribution chain and more retailers will open up in the market for selling chilled pork.

Consolidation of the industry will give rise to opportunities for larger-scale enterprises to expand their scope and network of business while leveraging on their quality, brand and scale advantages. Acceleration of the development of own brand stores and enhancement of the chilled pork distribution chain will help enterprises to actualise cross-regional sale of pork and achieve greater profit, particularly in medium to large cities. According to the Ipsos Report, the integration of hog husbandry, slaughtering, processing and retailing can overcome any bottleneck in the industry chain. Other opportunities are created in favor of the larger-scale enterprises through the implementation in government policies which support larger-scale enterprises and will eventually drive enterprises with low production volume out of the market. However, the continuous consolidation in the industry and the elimination of smaller players may heighten the competition among large-scale enterprises (including our Company) and increase their operating cost as they try to improve product quality and maximise production capacity in the long run.

Market Drivers and Barriers

The growth drivers of the industry include the followings:

- rising population with higher income and improving living standards will raise meat consumption demand in the PRC, particularly for pork
- the PRC government policies will further increase the number of wealthy households and boost per capita pork consumption
- urban population has long been the major consumers of pork; continuing urbanisation will drive the demand for pork in the future
- changing dietary habits, from starch-based food to protein-based food, in the PRC will also push the demand for pork up
- the PRC Government policies on integrating and restructuring enterprises in slaughtering industry, and encouragement for foreign investment will drive the growth of the hog industry towards producing better quality pork
- the PRC Government policies to promote hog husbandry industry and stabilise the price of pork will relieve pressure on price inflation and resume consumer confidence

- subsidies by government for purchasing sows and for preventing hog diseases will stabilise the supply of live hogs and pork and drive growth in the overall industry of hog husbandry, slaughtering, distribution and retailing

The growth barriers of the industry include the followings:

- labour shortage and the rising price of hog feed (at CAGRs of approximately 8.8%, 7.6% and 7.6% for corn, soymeal and wheat bran respectively from 2006 to 2013) will raise production cost of hog husbandry and hamper growth of the industry

- rising average retail price of pork in the PRC may hamper the sale of pork in the PRC

- migration of labour from rural area to cities, coupled with government policies to reduce the number of slaughterhouses, will lead to a decrease in the number of hog farms and slaughterhouses, tightening supply of hogs in the PRC

- tight domestic supply of meat in general, along with the inflating price of pork, appreciation of Renminbi and worldwide stringent safety standards of meat will weaken the export market of Chinese pork

- frequent outbreak of diseases, such as PRRS and H1N1, will pose threats on demand and supply of hogs and impede development of the industry

The entry barrier is high for hog husbandry of large scale commercial farms and lower for backyard farms. Firstly, standardisation of hog breeding and farming is difficult to achieve for large farms with more than 1,000 heads of hogs. Standardisation can only be recognised in feed supply, prevention of disease, breeding and farming environment and safety etc. Hence, farm size of over 1,000 heads of hogs is more difficult to manage. The risks associated with animal diseases also increase with the size of farms which raises difficulties for management. Secondly, large scale farming imposes higher requirements on the husbandry environment, such as less contaminated areas, ease of transportation, less human activities in surrounding area etc. Scarcity of land with such conditions pose barriers for new entrants. Thirdly, most of the hog husbandry enterprises in the PRC cooperate with local farmers to run their business, and cooperation is built upon trust which takes time to foster. Lack of market experience and reputation makes it difficult to attain trust from local farms and presents hurdles for new entrants. Fourthly, high capital costs associated with fixed asset investment for breeder hogs, breeding and farming facilities and environmental facilities, along with human capital investment, create high barriers for new entrants. Lastly, technological advancement in aspects of feeding, breeding and farming, disease prevention and management also encourage enterprises to constantly improve their technology standard to adjust to the market needs.

High capital cost, brand reputation and product quality pose barriers in hog slaughtering, distribution and retailing. Great liquidity is required for procurement with slow turnover rate as return is collected only after hog production, distribution and retailing. More sophisticated consumer demand and market competition have shaped strong brand reputation of existing market players. To maintain and build brand reputation, stringent quality control, strong product development structure and high marketing costs are necessary which add barriers to market entry.

Market Outlook of the Slaughtering Industry in Hunan Province

Driven by the stringent government policies setting out the technological requirement for the slaughtering industry, the number of slaughterhouses in Hunan Province has continuously declined in recent years. The total number of slaughterhouses in Hunan Province declined at a CAGR of about -12.2% from approximately 805 units in 2010 to approximately 620 units in 2012.

In order to implement the National Hog Slaughtering Industry Development Plan Summary (2010–2015)* (全國生豬屠宰行業發展計劃), the provincial government of Hunan Province promulgated the Hunan Province's Embodiment to Implement National Hog Slaughtering Industry Development Plan Summary (2010–2015)* (湖南省貫徹《全國生豬屠宰行業發展規劃綱要（2010－2015年）》實施方案) in 2010, which aimed at eliminating the slaughterhouses with low production capacity, consolidating the hog husbandry and slaughtering industry, and providing support to large-scale modern slaughterhouses in Hunan Province.

It is expected that the market positions of large-scale slaughterhouses in Hunan Province, especially those "Class A Hog Slaughtering Enterprises", will be further strengthened and the number of large-scale slaughterhouses will be reduced to about 120 by 2015 via eliminating those large-scale slaughterhouses with low production capacity and product quality.

REGULATIONS

Regulations relating to the industry

This section sets out summaries of certain aspects of PRC laws and regulations which are relevant to the industry which our Group engages in.

Breeding and Farming

The breeding and farming of livestock in Changde, Hunan Province are mainly governed by the Stock-breeding Law of the PRC (中華人民共和國畜牧法), which was promulgated on 29 December 2005 and became effective on 1 July 2006, the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法), which was amended on 30 August 2007 and became effective on 1 January 2008, and the Administrative Measures of Changde for Breeding of Livestock and Poultry (常德市畜禽養殖管理辦法), which was promulgated on and became effective on 9 July 2010. Besides, the establishment and operation of a livestock farm should also comply with the rules regarding environment protection which are separately set out in the paragraph headed "Environmental Protection" below.

Establishment of a livestock farm

A livestock farm shall meet the following requirements: (1) having a production site and supporting production facilities that can meet the needs of the breeding scale; (2) having under employment, livestock breeding and veterinary technicians who are responsible for the tending of animals on the farm; (3) meeting epidemic prevention conditions set by laws, administrative regulations and the livestock breeding and veterinary administrative department; (4) having facilities such as firedamp pool for the comprehensive utilisation of the livestock dung, waste water and other solid wastes, or having other innocuous disposal facilities; (5) other conditions as provided for by the laws and administrative regulations.

The epidemic prevention conditions which shall be adhered to by livestock farms include the following: (1) located at a distance from the general public, such as residential areas, sources of drinking water, schools and hospitals, pursuant to the standards laid down by the administrative department for veterinary medicine under the State Council; (2) the enclosure and isolation of the production area and the engineering design and technological process meeting the requirements for animal epidemic prevention; (3) there being facilities in place for the treatment, decontamination and disposal of innocuous or biohazardous materials such as the associated bodily wastes and other products generated during the course of animal handling and processing or from animals which are infected and/or deceased; (4) there being technicians for their service in animal epidemic prevention; (5) there being a comprehensive system in place for animal epidemic prevention; (6) meeting other conditions for animal epidemic prevention laid down by the administrative department for veterinary medicine under the State Council.

To establish a livestock farm, an application shall be submitted to the administrative department for veterinary medicine at or above the county level. The administrative department shall examine the application. If the application passes the examination, the Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) shall be issued to the applicant. The application and issuing of an Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) should follow the Measures for Examining Qualifications of Animal Epidemic Prevention (動物防疫條件審查辦法), which was promulgated on 21 January 2010 by the Ministry of Agriculture (農業部) and became effective on 1 May 2010.

Operation of a livestock farm

A livestock farm should have an animal epidemic prevention system, implement the disinfection work, offer assistance to the supervising agencies for animal epidemic prevention to implement the compulsory immunity measures and attach the immune livestock with the animal immunity certificates.

The stock breeders should have medical check-ups regularly and cannot have any anthropozoonosis.

The operator of a livestock farm should report the farm's name, address, varieties of livestock and the breed dimensions to the local county level animal husbandry and veterinary administrative department for record, and obtain an animal ID code. The specific procedures to obtain the animal ID code and to implement the record file management should follow Administrative Measures for Animal Identification and Aquaculture File (畜禽標識和養殖檔案管理辦法), which was promulgated on 26 June 2006 by the Ministry of Agriculture and became effective on 1 July 2006.

Before introduction of animals to market for sale, relevant personnel of the livestock farm should apply to the local supervising agency for animal epidemic prevention and obtain effective animal epidemic prevention certificate.

Regulations on Pollution Control of Livestock and Poultry Breeding (畜禽規模養殖污染防治條例), which was promulgated by the State Council on 11 November 2013 and became effective on 1 January 2014, had imposed requirements of pollution prevention and waste and pollutants treatment of livestock and poultry farms. According to the Regulations on Pollution Control of Livestock and Poultry Breeding, an assessment on the potential impact to the environment shall be conducted when constructing new breeding farms or expanding existing breeding farms. Also, livestock and poultry breeding farms are required to install waste and pollutants treatment facilities commensurate with their scale of breeding and needs of pollution prevention. Direct dumping of livestock and poultry waste without treatment is prohibited.

In accordance with the Administrative Regulations on Pollution Control of Livestock Breeding (畜禽養殖污染防治管理辦法), which was promulgated and became effective on 8 May 2001, all livestock farms whose number of livestock on hand are more than 500 on average must obtain a pollutant permit before releasing and pollutants should be released according to the pollutant permit.

The pollutant discharge of a livestock farm shall follow the Standards of Pollutant Discharge for Livestock and Poultry Breeding Industry (GB18596–2001) (畜禽養殖業污染物排放標準(GB18596–2001)) which list the maximum limit of the discharge of waste water, waste residue and obnoxious gas. We had previous incidents of non-compliance with certain environmental protection regulations in the PRC. Please refer to the paragraphs headed "Safety and environmental protection", "Environmental protection" and "Regulatory compliance" in the section headed "Our business" in this prospectus.

Livestock farming also involves the use of veterinary drugs, feed and feed additives, which are governed by the Regulations on Administration of Veterinary Drugs (獸藥管理條例) which was promulgated on 9 April 2004 by the State Council and became effective on 1 November 2004, Regulations on Administration of Feed and Feed Additives（飼料和飼料添加劑管理條例）which was amended on 26 October 2011 by the State Council and became effective on 1 May 2012, and the Drugs Varieties Catalogue Regarding the Prohibition on Use in Feed and Animal Drinking Water (禁止在飼料和動物飲用水中使用的藥物品種目錄) by Ministry of Agriculture, Ministry of Health, State Drug Administration which was promulgated on 9 February 2002 and became effective on the same date. Users of veterinary drugs shall comply with the safe use of veterinary drugs rules formulated by the relevant administrative authorities under the State Council and establish medication records. Life stock farms should act in accordance with product instructions and precautions to use feed. If animal feed additives are added to feed or drinking water, this shall comply with the product instructions and precautions and comply with the safe use of feed additives norms developed by the relevant administrative authorities under the State Council.

Slaughtering

Hog slaughtering industry in China should comply with the Administrative Provisions for Hog Slaughtering (生豬屠宰管理條例) which was promulgated on 25 May 2008 by the State Council and became effective on 1 August 2008, the Implementing Measures for the Administrative Provisions for Hog Slaughtering (生豬屠宰管理條例實施辦法) which was promulgated on 28 July 2008 by the Ministry of Commerce and became effective on 1 August 2008 and the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法). The hog slaughtering industry in Hunan Province should also comply with the Administrative Provisions for Hog Slaughtering in Hunan Province (湖南省生豬屠宰管理條例) which was promulgated on 29 July 2011 by the Standing Committee of the People's Congress of Human Province and became effective on 1 September 2011. Besides, the establishment and operation of a hog slaughterhouse should also comply with the rules regarding environment protection which are separately set out in the paragraph headed "Environmental Protection" below.

According to the National Hog Slaughtering Industry Development Plan Summary (From 2010 to 2015) (全國生豬屠宰行業發展規劃綱要(2010–2015年)), which was promulgated on 31 December 2009, the main developing targets of the hog slaughtering industry from 2010 to 2015 are to increase the industry concentration, promote the management of the hog slaughtering industry and optimise the meat products structure.

The number of designated slaughterhouses in municipalities or urban areas with a population of over 5 million should be confined to less than four; in cities at prefectural level or above the number should be confined to less than two; in cities at county level the number should be confined to one only. Furthermore, establishment of large-scale slaughtering and processing enterprises equipped with modern facilities is encouraged in major hog producing areas.

On the basis of the Hunan Province's Embodiment to Implement National Hog Slaughtering Industry Development Plan Summary (2010–2015) (湖南省貫徹《全國生豬屠宰行業發展規劃綱要(2010–2015年)》實施方案), which was promulgated on 13 July 2010, the number of designated slaughterhouses in counties and cities should be controlled within 120 throughout Hunan Province by 2015; and it is encouraged to establish modern and large slaughtering and processing enterprises in major hog producing counties or cities.

Establishment of a hog slaughterhouse

Hogs are required to be slaughtered at designated points and centralised quarantine. A designated hog slaughterhouse should meet the following requirements: (1) having a water source whose quality complies with the state standards for the slaughtering operation; (2) having normatively designed isolating rooms, waiting pens, slaughtering rooms, emergency slaughtering rooms and facilities for the slaughtering and transport of hogs and associated pork products which meet the sanitary requirements and the relevant provisions of the State; (3) having sufficient technical staff to carry out the slaughtering operation; (4) having meat quality inspectors recognised by the administrative department of commerce at the provincial level; (5) having disinfection and inspection facilities which can meet the State standards and having waste disposal facilities which can meet the State standards on environmental protection; (6) having the facilities for the handling of diseased or deceased hogs and related biohazardous wastes which can meet the relevant regulations and bio-safety standards in relation to its disposal; and (7) having an Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證).

The hog slaughterhouse should obtain a Permit for Hog Slaughtering issued by the relevant municipal government. The government should seek opinions from the provincial commercial administrative department before issuing the permit.

To establish a hog slaughterhouse, an application shall be submitted to the administrative department for veterinary medicine at or above the county level with the relevant. The administrative department shall examine the application. If the application passes the examination, the Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) shall be issued to the applicant. The application and issuing of a Certificate of Conformity to the Conditions for Animal Epidemic Prevention should follow Measures for Examining Qualifications of Animal Epidemic Prevention.

Operation of a hog slaughterhouse

Hog slaughtering should implement the relevant industrial standards, including Hygienic Standard for Pork (GB2707-1994), Operating Procedures of Hog Slaughtering (GB/T 17236-2008) and Code for Product Quality Inspection for Hog Slaughtering (GB/T 17996-1999).

Quarantine must be centralised and carried out at the designated slaughterhouse under the supervision of the local animal health authority. A certificate will be issued for hogs which have passed quarantine and examinations and will be marked with a stamp of approval. The specific procedures of animal quarantine should follow Animal Quarantine Administration Measures (動物檢疫管理辦法), which was promulgated on 21 January 2010 and with effect from 1 March, 2010 by the Ministry of Agriculture.

Designated slaughterhouses should establish management system to conduct meat quality inspection and epidemic inspection centrally. The certification of animal epidemic prevention will be issued and the examined stamp or the mark of certificate will be attached to those passing the quarantine.

Hogs falling under one of the following categories, should be disposed of as biohazard waste under the supervision of local animal health supervision institution and the administrative department of commerce and disposed in accordance with the relevant provisions of the State: (1) hogs subjected to quarantine according to law but failing to undergo or pass quarantine inspection; (2) hogs which have failed to pass tests for certain forbidden drugs; and (3) hogs injected with water or other substances. In addition, records on the bio-safety dispose shall be preserved for two years and the specific procedures of bio-safety disposals should follow Administrative Measures for the Bio-safety Disposal of Sick Hogs in Designated Slaughterhouses (生豬定點屠宰廠(場)病害豬無害化處理管理辦法), which was promulgated by the Ministry of Commerce and the Ministry of Finance on 9 July 2008 and with effect from 1 August 2008.

Processing and Selling

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000.

The Product Quality Law is applicable to all activities relating to the production and sale of any product within PRC, and where producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

According to the Product Quality Law, individuals who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business licence may be revoked. Criminal liability may be incurred in serious cases.

Quality and Safety of Animal Product

In accordance with the Agricultural Product Quality and Safety Law of the PRC (中華人民共和國農產品質量安全法), which was promulgated on 29 April 2006 and became effective on 1 November 2006, the PRC established an improved system of agricultural product quality and safety standards. Agricultural product quality and safety standards shall be compulsory technical norms. Agricultural products for sale must meet agricultural product quality and safety standards.

A licensing system shall be applied to pesticides, veterinary drugs, feed and feed additives, fertilisers, and veterinary devices which might affect agricultural product quality and safety, in accordance with relevant laws and administrative regulations.

Agricultural products required to be packed or labelled may not be sold until they have been so packed or labelled. The packages or labels shall, in accordance with the relevant provisions, indicate the product name, place of origin, producer, date of production, quality guarantee period, product quality grade, etc. In case where additives are used, the names of the additives shall also be displayed in accordance with the relevant provisions.

Animals and plants required by law to be subject to quarantine, as well as their products, shall be attached with marks and certificates of conformity.

Food Production and Sale

Licensing System for Food Production and Sale

Pursuant to the Administrative Regulations on the Production Licence for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例), which were promulgated on 9 July 2005 and became effective on 1 September 2005, and the Implementing Measures for the Administrative Regulations on the

Production Licence for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例實施辦法), which was last amended on 21 April 2010 and became effective from 1 June 2010, only enterprises granted with production licences are eligible to produce important industrial products for which a production licensing system is implemented by the State. Furthermore, the period of validity of a production licence shall be five years, other than for production licenses for food processing enterprises, for which the period of validity shall be three years. During this validity period, a licensee must continually conform to the relevant standards and requirements, and the relevant authorities may organise further examinations and inspections in accordance with the provisions of the relevant regulations. If, during the period of validity of a production licence, there is a change in the production conditions, inspection method, or technology or technique of production, the enterprise shall file an application with the relevant authorities, and the competent authorities shall organise a further examination and inspection in light of the provisions of the relevant regulations.

Pursuant to the Food Safety Law of the PRC (中華人民共和國食品安全法) (the "**Food Safety Law**"), which were promulgated on 28 February 2009 and became effective on 1 June 2009, and the Implementing Rules on the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the "**Implementing Rules on the Food Safety Law**"), which was promulgated on 20 July 2009 and became effective on the same date, a licensing system for food production and trading was adopted in the PRC. To engage in food production, food circulation, and catering services, a food production licence, food circulation licence, and catering service licence shall be obtained in accordance with the law. A food producer who has obtained a food production licence does not need to obtain a food circulation licence for selling the food produced by it at its place of production; whereas a catering service provider who has obtained a catering service licence does not need to obtain food production and circulation licence for selling the food produced by it at its place of provision of catering service.

According to the Measures for the Administration of Food Production Licensing (食品生產許可管理辦法), which was promulgated on 7 April 2010 and became effective on 1 June 2010, the period of validity for a food production licence is three years, and an application for replacement of the licence with the original licensing authority within six months prior to the expiry of the validity term of the food production licence. If the replacement is approved, the number of the food production licence shall remain unchanged. Where no application is filed for replacement of licence upon expiry of the validity term, it shall be deemed that the enterprise has no licence. And then if the enterprise intends to continue the production of food, it shall file a new application for re-issuance of the licence and a new number of the licence, the validity period of which shall be calculated from the date of permission.

Food Trading

Pursuant to the Food Safety Law, food traders shall check the licences and food eligibility certification documents of the suppliers for procurement of food. Furthermore, food trading enterprises shall establish a food procurement check record system to truthfully record the names, specifications, quantities, dates of production, lot numbers of production, quality guarantee periods, names and contact methods of suppliers, dates of purchase, etc. of food. The food procurement check records shall be true, and shall be kept for at least two years. In addition, food traders shall store food according to the requirements for guaranteeing food safety, regularly checking food in stock and promptly cleaning up decayed food or expired food. To sell food in bulk, food traders shall indicate the name, date of production, shelf life, and name and contact methods of trader of food on the containers and external packages of food in bulk. Similarly, the packages of pre-packed food shall bear labels which shall state statutory required matters. The labels of the staple and supplementary food exclusively for infants shall also indicate the principal ingredients and their contents.

Food Inspection System

Pursuant to the Food Safety Law and the Implementing Rules on the Food Safety Law, no food safety supervision and administration department may exempt food from inspection. Food production and trading enterprises may either carry out inspection on the food produced by themselves or entrust the inspection to a qualified food inspection institution. In comparison, where the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level need to carry out inspection on the food in law enforcement, they shall entrust the inspection to a qualified food inspection institution and pay related costs. The food inspection institution and inspector accountability system shall be adopted in food inspection. A food inspection report shall bear the official seal of a food inspection institution and signatures or seals of its inspectors. A food inspection institution and its inspectors shall be accountable for the issued food inspection reports.

Regulations relating to the operations of our Group

This section sets out summaries of certain aspects of PRC laws and regulations which are relevant to the operations of our Group.

Establishment, operation and management of a wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**Company Law**"), which was adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and will become effective on 1 March 2014. Under the Company Law, companies are generally classified into two categories — limited liability companies and companies limited by shares. The Company Law also applies to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated on 12 December 1990 and amended on 12 April 2001.

Investments in the PRC conducted by foreign investors and foreign-owned enterprises are governed by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 24 December 2011, with effect from 30 January 2012. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. Foreign investment in the encouraged categories is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted categories is permitted but subject to certain restrictions under PRC Law. Foreign investment in the prohibited categories is not allowed.

Taxation

Income tax

According to the PRC EIT Law (the "**New Tax Law**") promulgated on 16 March 2007 and the Implementation Rules To the New Tax Law (中華人民共和國企業所得稅法實施條例) (the "**Implementation Rules**") was promulgated on 6 December 2007, the income tax for both domestic and foreign-invested enterprises is charged a conformed rate of 25% effective from 1 January 2008. The New Tax Law provides certain transitional relief and measures for enterprises that were established prior to 16 March 2007: (i) if foreign-invested enterprises enjoyed reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years starting from 2008; and (ii) if foreign-invested enterprises enjoyed tax holidays for a fixed period under the previous laws and regulations, such foreign-invested enterprises should be entitled to the holiday until its expiry; however, if an enterprise has not started the tax holiday due to a lack of profit, 2008 will be regarded as the first year of the tax holiday.

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 is in compliance with the required standard for preferential PRC EIT treatment.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on 5 November 2008 and with effect from 1 January 2009, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the import of goods are required to pay value-added tax ("**VAT**"). The amount of VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% for those engaging in the sale or importation of goods except as otherwise provided by paragraph (2) and (3) of Article 2 in the Provisional Regulations on Value-added Tax of the PRC and is also 17% for those providing processing services, repairs and replacement services.

Urban Maintenance and Construction Tax as well as Education Surtax

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated on 18 October 2010 and with effect from 1 December 2010, foreign-invested enterprises, foreign enterprises and individual foreigners are required to pay urban maintenance and construction tax and education surtax.

Pursuant to the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例), which was amended on 8 January 2011, and the Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (國家稅務總局關於城市維護建設稅徵收問題的通知), which was promulgated on 12 March 1994 and with effect from 1 January 1994, any unit or individual liable to consumption tax, VAT and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with the Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定), which was last revised and became effective on 8 January 2011, all units and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surtax in accordance with these provisions. The educational surtax payable shall be 3% of the aggregate amount of VAT, business tax and consumption tax paid by each unit or individual.

Foreign currency exchange and dividend distribution

Foreign currency exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**"), which were last amended on 1 August 2008 and became effective on 5 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the relevant authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (i.e. board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. Such enterprises are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the relevant authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities where necessary.

Dividend distribution

Before the promulgation of the New Tax Law, the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign-owned Enterprise Law, the FIE Tax Law and their respective implementation regulations.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance to the PRC accounting standards and regulations. Such dividends paid to foreign investors are exempt from withholding tax. However, this exemption provision has been revoked by the New Tax Law which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises while the subsequent introduction of the Implementation Rules reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC and the government of Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the "**Arrangement**"). According to the Arrangement, a withholding tax rate of 5% applicable to dividends paid by a PRC company to a Hong Kong resident who directly holds at least 25% of the equity interests of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家稅務總局關於執行稅收協議股息條款有關問題的通知), which was promulgated and with effect from 20 February 2009, the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement is to be entitled to the tax treatments provided by the tax treaty agreement in relation to the dividends paid by a Chinese resident company where: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the 12 consecutive months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協議待遇管理辦法(試行)》) which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it must submit an application for approval to the relevant tax authority.

Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the "**Consumer Protection Law**"), which was promulgated on 31 October 1993 and became effective on 1 January 1994.

According to the Consumer Protection Law, the rights and interests of the consumers who purchase goods for the purposes of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties.

Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

Intellectual Property Rights

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) (the "**Trademark Law**"), amended on 27 October 2001 and became effective on 1 December 2001, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, starting from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) (the "**Patent Law**"), amended on 27 December 2008 and became effective on 1 October 2009, under the protection of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is determined, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), which was promulgated and became effective on 26 December 1989:

- any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces;

- any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and

- any entity that discharges pollutants in excess of the prescribed national or local standards must pay the requisite fee.

The Ministry of Environmental Protection of the PRC shall impose different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

Prevention and Control of various pollutions

The Law on Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法), as revised on 28 February 2008 and became effective on 1 June 2008, the Law on Prevention and Control of Atmospheric Pollution of the PRC (中華人民共和國大氣污染防治法), as revised on 29 April 2000, and became effective on 1 September 2000, the Law on Prevention and Control of Environmental Noise Pollution of the PRC (中華人民共和國環境噪聲污染防治法), as revised on 29 October 1996 and became effective on 1 March 1997, as well as the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (中華人民共和國固體廢物污染環境防治法), which was promulgated on 29 December 2004 and became effective on 1 April 2005, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and environmental pollution by solid waste respectively.

Construction Project Environmental Protection

Pursuant to the Law on Appraisal of Environment Impacts of the PRC (中華人民共和國環境影響評價法), which was promulgated on 28 October 2002 and became effective on 1 September 2003, with regard to the relevant special programs of industry, agriculture, animal husbandry, forestry, energy, water conservancy, communications, municipal construction, tourism, and natural resources development (hereafter referred to as "**Special Programs**"), the relevant departments of the State Council and the local people's government at or above the level of the cities with districts as well as the relevant departments thereof shall, prior to reporting the draft of the Special Programs for examination and approval, organise appraisals of environmental impacts, and submit a report of environmental impacts to the organisation in charge of the examination and approval of the special programs.

Furthermore, in the process of constructing a project, the construction entity shall carry out the countermeasures for environmental protection as proposed in the comments of the examination and organisation department on the report of environmental impacts, the report form of environmental impacts and environmental impact appraisal documents.

According to Management Regulations of Environmental Protection of Construction Projects (建設項目環境保護管理條例), which were promulgated and became effective on 29 November 1998, the PRC practises a system for the evaluation of the environmental impact of a construction project. A construction unit should, on or prior to commencement of construction or, during the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. Further the construction unit should, during certain construction milestone and upon the completion of the construction project, file an application with the relevant department of environmental protection administration that examined and approved the said construction project for inspection on compliance to the required environmental specifications and final acceptance upon completion of the said construction project.

Standards of Collecting Fees for Discharge of Pollutants

According to the Circular on the Standards of Collecting Fees for Discharge of Pollutants (排污費徵收標準管理辦法), which was promulgated on 28 February 2003, and became effective on 1 July 2003, environmental protection authorities under the local people's government at or above the county level shall be responsible for the collection fees for pollutant discharge according to the following criteria: Enterprises, institutions, individually-owned industrial and/or commercial businesses that directly discharge pollutants into a water body shall pay fees for pollutant discharge according to the kinds and quantity of the water pollutants discharged and the standards for collecting the fee for pollutant discharge. Enterprises, institutions and individually-owned industrial and/or commercial businesses that discharge atmospheric pollutants shall pay fees for pollutant discharge on the basis of the categories and quantities of the atmospheric pollutants discharged. If construction of facilities and sites for storing and treating industrial solid wastes has not been built or does not comply with State standards on environmental protection, such enterprises, institutions, individually-owned industrial and/or commercial businesses shall pay fees for solid wastes discharge according to the kinds and quantity of the solid wastes pollutants discharged. Enterprises, institutions and individually-owned industrial and/or commercial businesses that produce environmental noise pollution that impairs the living environment of the neighborhood shall pay fees for excessive emission of such pollution.

Labour Contracts

Pursuant to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), adopted by the Standing Committee of the National People's Congress on 29 June 2007 and became effective on 1 January 2008, to establish a labour relationship, a written labour contract should be executed. In the event that no written labour contract is executed at the time when a labour relationship is established, such a written contract should be executed within one month from the date when the employer employs the employee. Where the employer fails to execute a written labour contract with the employee for more than one month but less than a year from the date of employment, the employer shall pay the employee two times his salary for each month. In addition, if the employer fails to execute a written labour contract with the employee after one year as at the date of employment, the labour relationship shall be deemed to be an open-ended contract.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "**Social Insurance Law**"), which was promulgated on 28 October 2010 and became effective on 1 July 2011, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance schemes.

Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees.

Pursuant to the Social Insurance Law, the employer fails to pay work-related injury insurance contributions in accordance with law if the employer fails to make repayment, social insurance agencies may recover such benefits from the employer in accordance with the Social Insurance Law.

Furthermore, as to the unemployment insurance, employers shall provide the exiting employee with certification of the expiry or termination of their employment relations in a timely manner, and inform the local social insurance agencies within 15 days of such expiry or termination. Unemployed individuals shall undertake the procedures for unemployment registration with the designated public employment service institutions in a timely manner by producing their former employers' certification of the expiry or termination of employment relations. The period for receiving unemployment insurance benefits shall be calculated from the date of unemployment registration.

An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of the PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Except for mandatory exceptions such as force majeure, social insurance may not be paid late, reduced or be exempted. If an employer fails to report the social insurance premium payable in accordance with the relevant regulations, the social insurance agency shall provisionally set the amount payable at 110% of the premium paid in the previous month. Once the employer has retroactively undertaken the reporting procedures, the social insurance agency shall settle the amount in accordance with the relevant regulations. Where an employer fails to make social insurance contributions in full and on time, the social insurance agency may order rectification within a specified time limit. If the employer fails to rectify within the specified time limit, the social insurance agency may enquire with the relevant bank(s) and other financial institution(s) in which the employer has an account; and may apply to the relevant administrative department above the county level for an administrative order to allocate and transfer the unpaid social insurance contributions and notify the relevant bank or other financial institution in writing to allocate and transfer the unpaid social insurance contributions. Where the balance in the employer's bank account is less than the overdue social insurance contributions, the social insurance agency may request the employer to provide a guarantee and sign a social insurance payment agreement for the delayed payment. If the employer does not make the social insurance contributions within the specified time limit and fail to provide a guarantee with respect to the same, the social insurance agency may request the people's court to seize the property of the employer (equivalent in value to the unpaid overdue social insurance contributions), and collect the overdue social insurance contributions from the proceeds obtained from the auction of such property.

Pursuant to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), promulgated on 3 April 1999 and was amended on 24 March 2002, which are applicable to enterprises with foreign investment, enterprises are required to make contribution to the housing provident fund for their employees. According to the regulations, enterprises shall register with the relevant housing provident fund management center within 30 days from the date of establishment, and open a housing provident fund account with designated bank on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident fund management center. New employees, shall be registered with the housing provident fund management center within 30 days from the date of employment. Furthermore, the housing provident fund to be paid and deposited by an employee shall be withheld from his/her salary by the enterprise, and the enterprise itself shall pay and deposit housing provident fund on schedule and in full, and may not be overdue in the payment and deposit or underpay the housing provident fund. The payment and deposit rate for housing provident fund (made either by the employee or the enterprise) shall not be less than five percent of the average monthly salary of the employee concerned in the previous year.

Labour Health

In general, according to the Occupational Diseases Prevention Law of the PRC (中華人民共和國職業病防治法) which was adopted by the Standing Committee of the National People's Congress on 27 October 2001 and became effective on 1 May 2002 and last amended on 31 December 2011 and became effective on the same date, the employers shall ensure the working environment and conditions conformed to the national standards for occupational health and requirements, and shall take measures to ensure that the labourers receive occupational health protection. The employers shall effect the work-related injuries insurance in accordance with the applicable laws.

For primary prevention, the employer with potential hazards of occupational diseases shall keep its workplaces meeting the following requirements for occupational health: (1) the intensity or concentration of the hazard factors of occupational diseases shall meet the national standards for occupational health; (2) having the facilities for the prevention of the hazards of occupational diseases; (3) the production techniques are rationally arranged and in conformity with the principle of separating the harmful techniques from the non-harmful ones; (4) having the supporting hygiene facilities such as locker rooms, bathrooms and lounges for pregnant labourers; (5) the equipment, tools, apparatuses and other facilities shall meet the requirements for protecting the physiological and psychological health of labourers; and (6) the workplaces shall meet other requirements stipulated by laws, administrative regulations, public health administration and the relevant department of administration of work safety* (安全生產監管部門).

In the process of work, the employer shall take the following management measures for preventing occupational diseases: (1) setting up or appointing occupational health agencies with full-time or part-time professional personnel for occupational health to be responsible for the prevention and treatment of occupational diseases; (2) preparing programs for the prevention and treatment of occupational diseases and implementation plans; (3) establishing and improving the management system and operative regulations for occupational health; (4) establishing and improving occupational health record and labour's health supervision record; (5) establishing and improving system for supervision and assessment of the workplace occupational-disease-inductive factors; and (6) establishing and improving the preliminary plans for emergency rescue in accidents caused by occupational diseases.

According to the Opinions of the Changde Municipal Government on Reinforcing the Prevention and Treatment of Occupational Diseases (常德市人民政府關於加強職業病防治工作的意見), which was promulgated on 21 July 2004 and with effect on the same date, and the Circular of the Changde Municipal Government on Further Reinforcing the Prevention and Treatment of Occupational Diseases (常德市人民政府辦公室關於進一步加強職業病防治工作的通知), promulgated and became effective on 20 December 2008, the employer shall make arrangements for occupational health examinations and establish archives on occupational health. The employer shall adopt effective facilities for the prevention of occupational diseases.

Production Safety

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法), which was promulgated on 29 June 2002 and became effective on 1 November 2002, equipment deemed to pose a hazard to life safety or is comparatively dangerous, and containers or transportation tools of hazardous substances that any production and business operation uses must, according to the relevant provisions of the State, be manufactured by specialised production entities, and may only be put into use after it has passed the inspections and examinations by qualified professional institutions from which a certificate for safe use or a mark of safety is obtained. In addition, the production, business operation, transportation, storage, use of and disposal of any dangerous substances shall be subject to the examination and approval as well as the supervision and administration of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

During the Track Record Period, save as disclosed in the paragraph headed "Regulatory compliance" in the section headed "Our business" in this prospectus, our Group's business operation is in compliance with the applicable laws and regulations in material respects.

INTRODUCTION

Our Company was incorporated in the Cayman Islands on 30 September 2011. Through the Reorganisation, our Company has become the holding company of our Group. The core business of our Group, being the breeding, farming and slaughtering of hogs and the production and sale of pork products, is mainly carried out through Hunan Huisheng, our principal operating subsidiary established in the PRC. Our Company, Huisheng (BVI), Hong Kong Huisheng and Linli Huisheng are investment holding companies without any other commercial activities. Linli JV is a joint venture (which we own approximately 71.9%) for the construction and operation of the Linli New Breeding Farm.

BUSINESS MILESTONES

The following table summarises the major milestones of our business development:

Period	Event
December 2007	Hunan Huisheng was incorporated in Changde, Hunan Province, the PRC
January 2008	Hunan Huisheng commenced hog slaughtering operations and sale of fresh pork
	We commenced construction of our own Health Breeding Farm for hog breeding
July 2008	We commenced the operation of our carving facilities and the sale of chilled pork and frozen pork
early 2009	Pork products produced from the first batch of hogs which were bred and farmed in our Health Breeding Farm were launched to the market
February 2009	We entered into a cooperation agreement with the owner of our first Contract Farm
January 2011	We obtained ISO9001 and ISO22000 certifications for our quality management system and food safety management system respectively
May 2011	We entered into a cooperation agreement with the owner of our first Fattening Farm
December 2011	Our trademark "歪脖脖" was awarded as "Well-known Trademark of Hunan Province (湖南省著名商標)" by the Administration for Industry and Commerce of Hunan Province* (湖南省工商行政管理局)
	The number of Fattening Farms engaged by us reached 10
December 2012	Our trademark "歪脖脖" was awarded as "Well-known Trademark in the PRC* (中國馳名商標)" by the Trademark Office of the State Administration for Industry & Commerce of the PRC* (國家工商行政管理總局商標局)
	The number of Fattening Farmers engaged by us reached 22
September 2013	Linli JV was established in Changde, Hunan Province, the PRC
November 2013	We commenced the trial operation of our Linli New Breeding Farm
December 2013	We commenced the trial operation of phase one of our New Production Base
	The number of Fattening Farmers engaged by us reached 33

HISTORY AND DEVELOPMENT

As advised by Mr. Ding and confirmed by the Investment Promotion Bureau of Changde City Wuling District (常德市武陵區招商合作局) (the "**Investment Bureau**"), in order to implement the "Administrative Measures of Changde City's Designated Venue for Livestock Slaughtering" (常德市牲畜定點屠宰管理辦法) issued by the People's Government of Changde on 1 April 2002, and further standardise the mechanised slaughtering of hogs to reassure food safety in Changde City, the local government of the Wuling District (the "**District Government**") had been active in attracting investment in the hog slaughtering industry through meeting and discussion with potential investors such as local entrepreneurs.

With the experience in family-style hog farming activities, which was common in rural villagers in the PRC, Mr. Ding gained general knowledge in hog farming since he was young and also became interested in investing in the hog industry.

Through the abovementioned activities of the District Government, Mr. Ding came across an investment opportunity for investing in a mechanised slaughterhouse in Changde. In view of the market potential of pork production industry in the PRC and the active support in the hog industry by the District Government and the Investment Bureau, Mr. Ding finally decided to venture into the hog slaughtering industry in 2006.

In March 2006, Hong Kong Huisheng was established by Mr. Ding. Following its incorporation, Hong Kong Huisheng established Changde Huisheng, a wholly foreign-owned enterprise in the PRC, on 21 April 2006 to engage principally in the hog slaughtering business.

Upon the takeover of the designated slaughterhouse by Changde Huisheng, all the operating assets originally belonging to the designated mechanised slaughterhouse were transferred to Changde Huisheng.

In late 2007, Mr. Ding contemplated seeking a listing of Changde Huisheng on a stock exchange in the PRC. However, as Changde Huisheng was a wholly foreign-owned enterprise, it would be unduly burdensome in light of the rules and procedures then in place. Therefore, Hunan Huisheng, a domestic joint stock limited liability company, was established by Mr. Ding and the Other Initial Shareholders *(Note)* on 18 December 2007 for the purpose of such listing plan. As such listing plan was then merely a corporate vision when Mr. Ding prepared for the establishment of Changde Huisheng and Hunan Huisheng, no formal listing application has been submitted to any stock exchange in the PRC and that no professional parties had been engaged by Mr. Ding, Changde Huisheng or our Group for the listing plan. Consequently, Changde Huisheng ceased its business operation at the end of 2007, and assigned substantially all its machinery and equipment used for the hog slaughtering business to Mr. Ding in settlement of the debts owed by Changde Huisheng to Mr. Ding, who in turn injected these assets into Hunan Huisheng as capital contribution upon the establishment of Hunan Huisheng. Thereafter, Hunan Huisheng commenced hog slaughtering and production and sale of pork business at the then production premises of Changde Huisheng from January 2008. Changde Huisheng then entered into the formal liquidation procedure on 3 June 2008 and was deregistered on 19 December 2008. Upon its deregistration, Changde Huisheng had no outstanding liabilities. Although Hunan Huisheng was established for the purpose of a contemplated

Note:

Most of the Other Initial Shareholders were employees of Changde Huisheng and then became employees of Hunan Huisheng, except Ms. Li Xianjie (李賢杰) and Mr. Zhang Zhizhong (張志忠). Ms. Li Xianjie (李賢杰) has been an employee of Jinda Concrete since 2005 and is a Shareholder, and Mr. Zhang Zhizhong (張志忠) has been a director of Hunan Huisheng since its establishment and is also our non-executive Director. Save as disclosed above, they have no other relationship with our Group.

listing on a PRC stock exchange, Mr. Ding and the Other Initial Shareholders subsequently decided to change the listing destination to Hong Kong, in view of the better access to international capital, a more liquid market and greater efficiency of the Stock Exchange.

Leveraging on the experience gained from the operations of Changde Huisheng in hog slaughtering, we managed to expand our business to the breeding and farming of hogs and the production and sale of pork products following the establishment of Hunan Huisheng.

We commenced the construction of our own Health Breeding Farm for hog breeding and farming in January 2008 and further expanded our hog farming capability by cooperating with four owners of Contract Farms and 32 Fattening Farmers during the Track Record Period, and as at the Latest Practicable Date, the number of Fattening Farmers engaged by us reached 33. In addition to the market coverage of our fresh pork products in Changde and nearby markets in Hunan Province, we have gradually expanded the sale of our chilled pork products to other major cities within Hunan Province such as Changsha (長沙), Zhangjiajie (張家界) and frozen pork products to markets outside Hunan Province such as Beijing City, Guangdong Province, Fujian Province, Shandong Province and Jiangsu Province after our pork processing facilities were put into operation in July 2008.

To further expand our slaughtering and processing capacity, we are constructing our New Production Base. Phase one of the New Production Base has been put into trial operation since December 2013 and phase two of which is expected to be put into trial operation around the second quarter of 2014. With the expansion of our production capacity, we aim to become a flagship pork supplier with streamlined operation in Hunan Province in the near future by striving to continue to increase our market share in Hunan Province and to gradually expand to other places in the PRC.

OUR PRINCIPAL SUBSIDIARIES

Hunan Huisheng

Hunan Huisheng is the principal operating subsidiary of our Group and primarily engages in the breeding, farming and slaughtering of hogs and the production and sale of pork products. It was established as a joint stock limited liability company in the PRC on 18 December 2007 with a registered capital of RMB30.3 million. At the time of its establishment, Hunan Huisheng's registered capital was held as to 70.0% by Mr. Ding, 9.9% by Mr. Ding Jingxi (丁敬喜), 9.9% by Mr. Zhang Zhizhong (張志忠), 5.6% by Mr. Yu Jishi (于濟世), 3.3% by Mr. Wang Haijun (王海軍), 1.0% by Mr. Zhang Jianlong (張建龍) and 0.3% by Ms. Li Xianjie (李賢杰). According to various capital verification reports issued by Hunan Tianping Zhengda Certified Public Accountants Co., Ltd., Changde Branch* (湖南天平正大有限責任會計師事務所常德分所), the registered capital of RMB30.3 million of Hunan Huisheng had been fully paid up. All the Other Initial Shareholders (except Mr. Zhang Zhizhong (張志忠) (who has been a director of Hunan Huisheng since its establishment) and Ms. Li Xianjie (李賢杰)) were the employees of Hunan Huisheng. Save that Mr. Ding is the brother of Mr. Ding Jingxi (丁敬喜), Mr. Ding does not have any family relationship with the remaining Other Initial Shareholders.

On 20 October 2009, Mr. Wang Haijun (王海軍) entered into an equity transfer agreement with Mr. Zhou Shigang (周詩剛), then an employee of Hunan Huisheng, to transfer his 3.3% equity interest in Hunan Huisheng to Mr. Zhou Shigang (周詩剛) at the consideration of RMB1.0 million, which was equivalent to the relevant registered capital transferred. The consideration was settled by (i) a payment of RMB100,000 in cash from Mr. Zhou Shigang (周詩剛) to Mr. Wang Haijun (王海軍); and (ii) Mr. Zhou Shigang (周詩剛)

assuming a debt of RMB900,000 owed by Mr. Wang Haijun (王海軍) to Mr. Ding, which was later fully repaid by Mr. Zhou Shigang (周詩剛). The equity transfer to Mr. Wang Haijun (王海軍) was properly and legally completed and settled when it was registered with competent government authority on 27 November 2009. Mr. Wang Haijun (王海軍) transferred his equity interest in Hunan Huisheng to Mr. Zhou Shigang (周詩剛) because Mr. Wang decided to resign from Hunan Huisheng in October 2009.

On 8 August 2011, Mr. Ding and the Other Initial Shareholders entered into an equity transfer agreement pursuant to which Mr. Ding and the Other Initial Shareholders transferred 25% equity interest they held in Hunan Huisheng to Mr. Yau at a consideration of RMB13,860,000. For details of such transfer, please refer to the paragraph headed "Mr. Yau's investment" in this section. Following the completion of the aforesaid equity transfer on 20 September 2011, Hunan Huisheng changed its legal status from a domestic limited liability company to a sino-foreign equity joint venture enterprise.

Upon completion of the Reorganisation, Hunan Huisheng has since 10 November 2011 become a wholly foreign-owned enterprise in the PRC and a wholly-owned subsidiary of Hong Kong Huisheng.

Hong Kong Huisheng

Hong Kong Huisheng acts as an investment holding company of our Group for initially holding the equity interest in Changde Huisheng and subsequently as the immediate holding company of Hunan Huisheng after the Reorganisation.

Hong Kong Huisheng is a limited liability company incorporated in Hong Kong on 14 March 2006 with an authorised share capital of HK$5,000,000 divided into 5,000,000 shares with a par value of HK$1.00 each. Upon its incorporation, 3,000,000 shares of HK$1.00 each were allotted and issued to Mr. Ding, 1,000,000 shares of HK$1.00 each were allotted and issued to Mr. Peng Guoping (彭國平), then an employee of a domestic company wholly owned by Mr. Ding, and 1,000,000 shares of HK$1.00 each were allotted and issued to Mr. Qian Chenglin (錢成林), an Independent Third Party.

On 20 December 2006, Mr. Qian Chenglin (錢成林) transferred the 1,000,000 shares he held in Hong Kong Huisheng to Mr. Jiang Zhaozhong (蔣兆忠), an Independent Third Party, at a consideration of HK$1,000,000, equivalent to the aggregate par value of the shares transferred.

Each of Mr. Peng Guoping (彭國平) and Mr. Jiang Zhaozhong (蔣兆忠) has confirmed that all shares in Hong Kong Huisheng held by him were held on trust for Mr. Ding since the date he became the registered holder of such shares.

According to Mr. Ding, Mr. Qian Chenglin (錢成林) also held 1,000,000 shares of Hong Kong Huisheng on trust for Mr. Ding from the date of incorporation of Hong Kong Huisheng to 20 December 2006, being the date on which Mr. Qian Chenglin (錢成林) transferred the 1,000,000 shares to Mr. Jiang Zhaozhong (蔣兆忠) at the direction of Mr. Ding. However, at the time of the incorporation of Hong Kong Huisheng and the subsequent share transfer between Mr. Qian Chenglin (錢成林) and Mr. Jiang Zhaozhong (蔣兆忠), Mr. Ding had not been properly advised on the company formation and maintenance procedures as he had not instructed a professional company secretarial firm to handle the incorporation of Hong Kong Huisheng and thus did not properly document the trust arrangement between himself and Mr. Qian Chenglin (錢成林).

Since Mr. Qian Chenglin (錢成林) transferred the 1,000,000 shares he held in Hong Kong Huisheng to Mr. Jiang Zhaozhong (蔣兆忠) by duly executed contract notes and instruments of transfer, the trust arrangement between Mr. Qian Chenglin (錢成林) and Mr. Ding was in effect terminated.

According to Mr. Ding, he entered into the trust arrangement with Mr. Qian Chenglin (錢成林) as Mr. Qian Chenglin (錢成林) resided in Shenzhen when the trust arrangement was established and during the subsistence of the trust arrangement, and it would be more convenient for Mr. Qian Chenglin (錢成林) to handle the administrative matters of Hong Kong Huisheng on behalf of Mr. Ding. Since Mr. Qian Chenglin (錢成林) decided not to reside in Shenzhen permanently at the end of 2006, Mr. Ding chose Mr. Jiang Zhaozhong (蔣兆忠), a Shenzhen resident, in place of Mr. Qian Chenglin (錢成林) for the same consideration. The trust arrangement between Mr. Ding and Mr. Peng Guoping (彭國平) was established because Mr. Ding had been improperly informed that at least three shareholders were required to set up a company in Hong Kong and believed that Mr. Peng Guoping (彭國平), who was in charge of the sales department of Hunan Huisheng and travelled to Shenzhen from time to time, could handle the administrative matters of Hong Kong Huisheng on behalf of Mr. Ding. Our PRC Legal Advisers are of the opinion that the trust arrangements between Mr. Ding and each of Mr. Qian Chenglin (錢成林), Mr. Jiang Zhaozhong (蔣兆忠) and Mr. Peng Guoping (彭國平) do not contravene the PRC laws.

Upon completion of the Reorganisation, Hong Kong Huisheng has since 1 November 2011 become a direct wholly-owned subsidiary of Huisheng (BVI).

Linli Huisheng

Linli Huisheng was established as a limited liability company in the PRC on 19 August 2013 with a registered capital of RMB12.0 million and is wholly owned by Hunan Huisheng. According to the capital verification report issued by Hunan Changde Licheng Certified Public Accountants Ltd.* (湖南里程有限責任會計師事務所常德分所), the registered capital of Linli Huisheng had been fully paid up. Linli Huisheng was established to serve as the investment holding company of Linli JV.

Linli JV

Linli JV was established as a limited liability company in the PRC on 17 September 2013 with a registered capital of RMB16.0 million and is owned as to approximately 71.9% by Linli Huisheng, 20% by NeX Eco-Agriculture and 8.1% by Changde Wuxing. The business scope of Linli JV includes the breeding, farming and sale of piglets and porkers and the provision of consultancy services in hog breeding and farming. According to the capital verification report issued by Hunan Changde Licheng Certified Public Accountants Ltd.* (湖南里程有限責任會計師事務所常德分所), the registered capital of Linli JV had been fully paid up in cash. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, NeX Eco-Agriculture is engaged in hog breeding and farming in Chenzhou, Hunan Province, while Changde Wuxing is engaged in the farming and sale of crops. Save for their investment in Linli JV, NeX Eco-Agriculture and Changde Wuxing did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and would have been Independent Third Parties as at the Latest Practicable Date. The key management of Linli JV, such as the majority of its directors, its general manager and the farm manager of Linli New Breeding Farm, are nominated by our Group, and our Directors consider that the farm operation and breeding and farming techniques of Linli Health Breeding Farm could be enhanced through the cooperation with the other two owners of Linli JV. The profits of Linli JV will be distributed among its shareholders in proportion to their contribution to the registered capital in Linli JV in accordance with the relevant PRC laws and regulations.

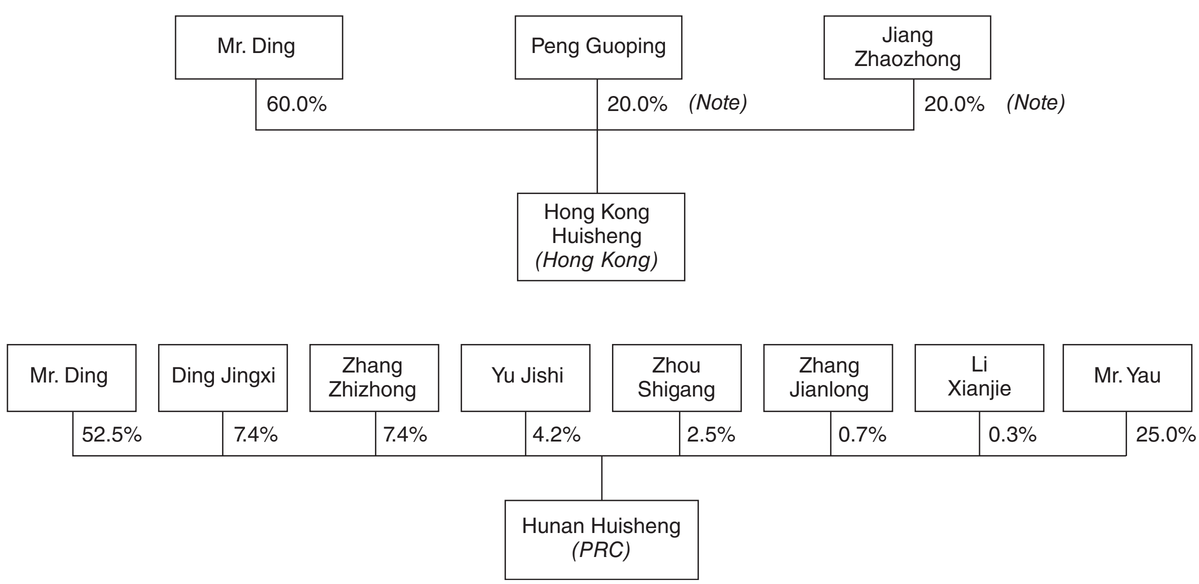
Linli JV is established for the construction and operation of the Linli New Breeding Farm, particulars of which are set out in the paragraph headed "Linli New Breeding Farm" in the section headed "Our business" in this prospectus.

Huisheng (BVI)

Huisheng (BVI) was incorporated in the BVI on 3 October 2011 with an authorised share capital of HK$500 divided into 50,000 shares of HK$0.01 each. It acts as the intermediary holding company of our Group.

THE REORGANISATION

In preparation for the Listing, our Group has undergone the Reorganisation. Set out below is the corporate structure of our Group immediately prior to the Reorganisation:



Note: The shares of Hong Kong Huisheng registered under the name of Mr. Peng Guoping (彭國平) and Mr. Jiang Zhaozhong (蔣兆忠) respectively were held on trust for Mr. Ding.

The Reorganisation involves the following steps:

(1) Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands on 30 September 2011. At the time of its incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares. Upon incorporation, one Share was subscribed, credited as fully paid at par, by Codan Trust Company (Cayman) Limited, which was then transferred at par to Huimin. On the same date, 2,119 Shares were allotted and issued, fully paid at par, to Huimin and 910 Shares were allotted and issued, fully paid at par, to Jisheng.

(2) Incorporation of Huisheng (BVI)

Huisheng (BVI) was incorporated in the BVI on 3 October 2011 with an authorised share capital of HK$500 divided into 50,000 shares of HK$0.01 each as the intermediary holding company of our Group. At the time of its incorporation, one share of HK$0.01 was allotted and issued as fully paid at par to our Company.

(3) Acquisition of Hong Kong Huisheng by Huisheng (BVI)

On 1 November 2011, Mr. Ding together with Mr. Peng Guoping (彭國平) and Mr. Jiang Zhaozhong (蔣兆忠) (both under the instruction of Mr. Ding) transferred 5,000,000 shares of HK$1.00 each in Hong Kong Huisheng, being the entire issued share capital of Hong Kong Huisheng, to Huisheng (BVI), in consideration of and exchange for which Huisheng (BVI) issued and allotted 99 new shares of HK$0.01 each, credited as fully paid at par, to our Company at the direction of Mr. Ding, Mr. Peng Guoping (彭國平) and Mr. Jiang Zhaozhong (蔣兆忠).

Since Mr. Peng Guoping (彭國平) and Mr. Jiang Zhaozhong (蔣兆忠) had transferred their respective 1,000,000 issued shares held in Hong Kong Huisheng to Huisheng (BVI) according to the instruction of Mr. Ding, the trust arrangements between Mr. Peng Guoping (彭國平) and Mr. Jiang Zhaozhong (蔣兆忠) as trustees on the one part and Mr. Ding as beneficial owner on the other part were therefore terminated.

(4) Acquisition of Hunan Huisheng by Hong Kong Huisheng

On 26 October 2011, all the then shareholders of Hunan Huisheng (Mr. Ding, the Other Initial Shareholders and Mr. Yau) entered into two equity transfer agreements with Hong Kong Huisheng for the transfer of the entire equity interest in Hunan Huisheng to Hong Kong Huisheng for a total consideration of RMB55,437,100, which consideration was determined based on the fair value of Hunan Huisheng according to an independent valuation performed by a valuer in August 2011.

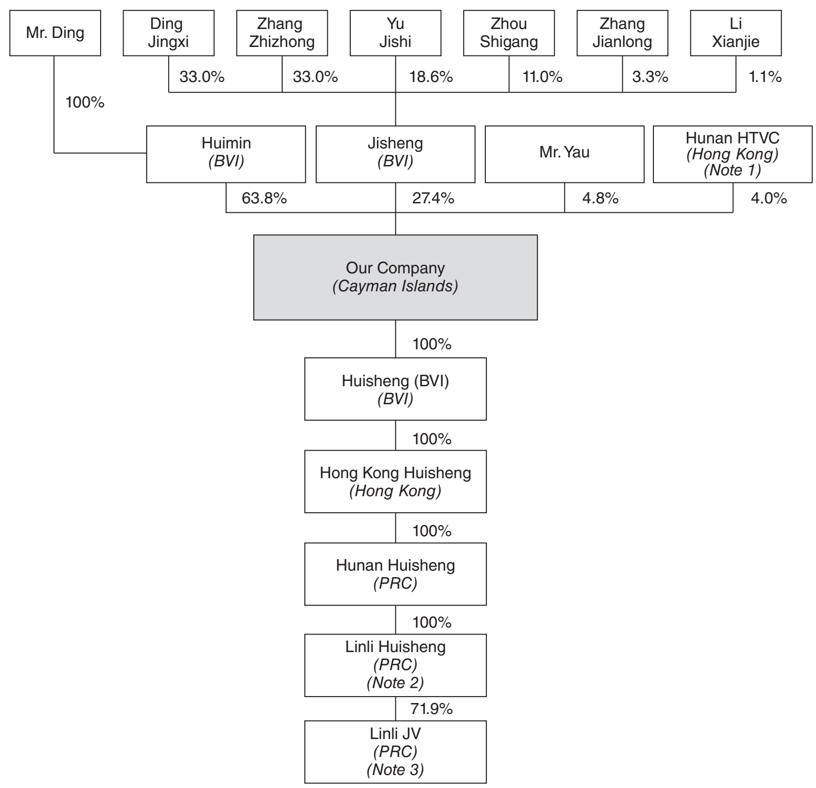
Pursuant to the equity transfer agreement entered into with Mr. Ding and the Other Initial Shareholders, Hong Kong Huisheng paid Mr. Ding, Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍) and Ms. Li Xianjie (李賢杰) approximately RMB29.09 million, RMB4.12 million, RMB4.12 million, RMB2.33 million, RMB1.37 million, RMB0.41 million and RMB0.14 million respectively, as the consideration for their respective portion of the equity interest in Hunan Huisheng transferred.

As for the transfer by Mr. Yau of his equity interest in Hunan Huisheng to Hong Kong Huisheng, the consideration of RMB13,860,000 was, according to equity transfer agreement entered into between Mr. Yau and Hong Kong Huisheng, settled by our Company issuing and allotting 500 Shares, credited as fully paid, on 29 December 2011. On the same date, our Company allotted and issued, credited as fully paid at par, 4,527 Shares to Huimin and 1,943 Shares to Jisheng respectively. As a result of such issues, our Company became owned as to approximately 66.5% by Huimin, 28.5% by Jisheng and 5.0% by Mr. Yau.

Following completion of the above transfers on 10 November 2011 (the date on which Hunan Huisheng completed the necessary registration with the competent government authority in the PRC), Hunan Huisheng became a wholly-owned subsidiary of Hong Kong Huisheng and changed its legal status from a sino-foreign equity joint venture enterprise to a wholly foreign-owned enterprise.

Upon completion of the above steps, our Company became the holding company of our Group, holding through Huisheng (BVI) and Hong Kong Huisheng the entire equity interest in Hunan Huisheng.

The following diagram sets out our shareholding structure upon completion of the Reorganisation, the pre-IPO investments and the subsequent establishment of Linli Huisheng and Linli JV (details of which are set out in the sub-paragraphs headed "Linli Huisheng" and "Linli JV" in the paragraph headed "Our principal subsidiaries" in this section):



Notes:

1. On 27 July 2013, our Company allotted and issued 419 Shares to Hunan HTVC at a cash consideration of HK$24,844,400 pursuant to an investment agreement entered into among our Company, Hunan HTVC and Mr. Ding.

2. Linli Huisheng was established as a limited liability company in the PRC on 19 August 2013.

3. Linli JV was established as a limited liability company in the PRC on 17 September 2013 and is owned as to approximately 71.9% by Linli Huisheng, 20% by NeX Eco-Agriculture and 8.1% by Changde Wuxing.

PRE-IPO INVESTMENTS

(i) Mr. Yau

Mr. Yau's background

Mr. Yau Chung (邱松) is a Hong Kong resident, and has known Mr. Ding, our founder and one of our executive Directors, since 2000 through their business acquaintances. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Yau is a businessman active in investment in Hong Kong and the PRC. Save for his investment in our Company and being a director of Hunan Huisheng since 1 September 2011, Mr. Yau did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and would have been an Independent Third Party as at the Latest Practicable Date.

Mr. Yau's investment

With an understanding of our operations and market position and seeing the growth potential of our Group through Mr. Ding, Mr. Yau approached Mr. Ding and expressed interest in investing in our business in around August 2011 by taking up 5% of the issued share capital of our Company before the Global Offering. For his investment in our Group, Mr. Yau did not engage any professional advisers in determining our Group's enterprise value after the Reorganisation and the Listing and decided to invest in our Group based on, to a significant extent, his business acumen. The value of the pre-IPO investment was determined after arm's length negotiation among Mr. Yau, Mr. Ding and the Other Initial Shareholders with reference to the valuation of comparable companies in the similar industries, the business potential and nature of our Group, the subsequent asset valuation report in relation to Hunan Huisheng and more importantly Mr. Yau's cognition of the potential business growth of our Group on the basis of his understanding of the business through his acquaintance with Mr. Ding and his previous investment experience. After arm's length negotiation with Mr. Ding and the Other Initial Shareholders, Mr. Yau agreed to invest around RMB13.0 million to RMB15.0 million for the acquisition of up to 5% issued share capital of our Company. With a view to obtaining the support from the competent approving authorities of Hunan Huisheng for an expeditious approval of the acquisition of equity interests by Mr. Yau from Mr. Ding and the Other Initial Shareholders and for the conversion of Hunan Huisheng into a sino-foreign equity joint venture, Mr. Ding and the Other Initial Shareholders sought the views of the local government officials before the acquisition. After preliminary appraisal of the proposed acquisition of the equity interests of Hunan Huisheng by Mr. Yau, the Investment Promotion Cooperation Bureau of Changde Economic and Technology Development District (常德經濟技術開發區招商合作局) advised Mr. Ding and the Other Initial Shareholders in its written confirmation dated 24 February 2012 that pursuant to the general principle of the Law of the PRC on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) and to align with the adopted practice in approving any investment by foreign investors, the stake taken up by foreign investors in any sino-foreign joint venture of the PRC should normally be no less than 25% as historically, local governments tended to impose higher requirements for foreign investors' investment ratio in any PRC sino-foreign enterprises so as to take better advantage of the foreign investments under the Law of the PRC on Sino-foreign Equity Joint Ventures (中外合資經營企業法). According to our PRC Legal Advisers, the Investment Promotion Cooperation Bureau of Changde Economic and Technology Development District (常德經濟技術開發區招商合作局) is a competent authority with appropriate power to issue such confirmation.

On 8 August 2011, Mr. Yau entered into an equity transfer agreement with the then shareholders of Hunan Huisheng (Mr. Ding and the Other Initial Shareholders) for the acquisition of an aggregate of 25% equity interests in Hunan Huisheng at a total consideration of RMB13,860,000 in cash. Pursuant to the agreement, Mr. Ding, Mr. Yu Jishi (于濟世), Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianglong (張建龍) and Ms. Li Xianjie (李賢杰) transferred approximately 17.5%, 1.4%, 2.5%, 2.5%, 0.8%, 0.2% and 0.1% of the shareholdings of Hunan Huisheng to Mr. Yau respectively, for cash consideration of approximately RMB9.70 million, RMB0.78 million, RMB1.37 million, RMB1.37 million, RMB0.46 million, RMB0.14 million and RMB0.05 million respectively. The consideration, which was irrevocably and completely settled on 27 October 2011, was determined after arm's length negotiation among the parties with consideration of the transaction costs and expenses, and was based on the fair value of Hunan Huisheng according to an independent valuation performed by a valuer in August 2011 in accordance with applicable laws and regulations of the PRC. Our PRC Legal Advisers are of the opinion that Mr. Yau's acquisition of 25% equity interest in Hunan Huisheng was in compliance with all applicable rules, regulations and laws of the PRC.

In contemplation of the Listing and with a view to reflecting the appropriate enterprise value of our Group as a whole after the Reorganisation, pursuant to an undertaking dated 29 August 2011 in favour of Mr. Ding and the Other Initial Shareholders, Mr. Yau further agreed that his investment amount or his 25% equity interests in Hunan Huisheng should be reflected by 5% of the issued share capital of our Company immediately before the Global Offering (but without considering the pre-IPO investment by Hunan HTVC as detailed below).

As a step of the Reorganisation, Mr. Yau transferred his 25% equity interest in Hunan Huisheng to Hong Kong Huisheng at a consideration of RMB13,860,000, which was, according to equity transfer agreement entered into between Mr. Yau and Hong Kong Huisheng, settled by our Company issuing and allotting 500 Shares, credited as fully paid, on 29 December 2011. Mr. Yau has not been granted any right to nominate any director to our Company or any member of our Group, or any other special rights pursuant to the above-mentioned equity transfer agreement or any other agreements in relation to his investment in our Group.

Upon completion of the Global Offering, Mr. Yau will hold approximately 3.6% of the issued share capital of our Company. As Mr. Yau is a director of Hunan Huisheng, he is a connected person of our Company under the Listing Rules. As such, the relevant Shares held by Mr. Yau will not be counted as part of the public float under Rule 8.08 of the Listing Rules.

Lock-up arrangement

Valuing the business prospects of our Group and the potential return of his investment in our Group, Mr. Yau has undertaken to our Company that he should not in the period of six months commencing on the Listing Date transfer or dispose of or otherwise create any encumbrances in respect of any Share which he is interested in upon the Listing. Mr. Yau has confirmed that he has no intention to take up any Shares in the Global Offering.

(ii) Hunan HTVC

Hunan HTVC's background

Hunan HTVC is a limited liability company incorporated under the laws of Hong Kong on 22 July 2009 and wholly owned by Hunan Hi-Tech Venture Capital Investment Company Limited* (湖南高新創業投資有限責任公司), a PRC state-owned investment entity under the Hunan Provincial People's Government (湖南省人民政府). Hunan HTVC is primarily engaged in the investment and provision of support to high-tech enterprises and projects in Hunan Province and the PRC. Hunan HTVC focuses on equity investment in various emerging industries including advanced manufacturing, biomedical, information technology, materials and energy development. We believe that the introduction of Hunan HTVC would complement our Group's business development and enhance our corporate governance through their experience and support to enterprises, and enlarge our capital and shareholder basis. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save for its investment in our Company, Hunan HTVC did not have any past or present relationships (including, without limitation, family, trust, business, employment) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and would have been an Independent Third Party as at the Latest Practicable Date.

Hunan HTVC's investment

On 27 July 2013, Hunan HTVC entered into an investment agreement (the "**Investment Agreement**") with our Company and Mr. Ding for the subscription of 419 Shares at a cash consideration of HK$24,844,400. The consideration was reached by our Company and Hunan HTVC after arm's length negotiation based on a valuation of our Shares with reference to the consolidated profit of our Group for the financial year ended 31 December 2012, after taking into consideration, among other things, the timing of entering into the Investment Agreement, the business, future prospects and profitability of our Group, and the limited liquidity of our Shares as a private company as at the time of the investment by Hunan HTVC. Pursuant to the Investment Agreement, on 27 July 2013 our Company allotted and issued 419 Shares, representing approximately 4.0% of the then issued share capital of our Company as enlarged by such issue, credited as fully paid, to Hunan HTVC. The consideration was also fully settled on 27 July 2013.

Pursuant to the Investment Agreement, Hunan HTVC has been granted the following rights:

Information rights. Hunan HTVC is entitled to receive information of our Company that is at the same time made available to the other Shareholders.

Profit guarantee. Hunan HTVC is entitled to compensation by Mr. Ding (but not our Group) if our Group's actual audited consolidated net profit is less than 95% of the guaranteed consolidated net profit of RMB100 million, RMB150 million and RMB200 million for each of the three financial years ending 31 December 2015 respectively. The compensation amount for a particular financial year shall be determined in accordance with the following formula:

$$\text{Compensation amount} = \text{Hunan HTVC's percentage shareholding in our Company as at the first day of the succeeding financial year} \times \left(\text{Guaranteed consolidated net profit for the respective financial year} - \text{Actual audited consolidated net profit}^{(Note)} \text{ for the respective financial year} \right)$$

Note: Actual audited consolidated net profit as defined in the Investment Agreement excludes non-recurring income and expenses (including the listing expenses), government subsidies and gains from mergers and acquisitions (if any) for the respective financial years.

The compensation amount is not fixed or linked to the Offer Price, post-listing market price or market capitalisation of the Shares. The compensation amount is to be determined within 15 days and payable by Mr. Ding in cash within 30 days of the issue of our Company's audited consolidated financial statements for a particular financial year. Any compensation made thereunder would not have any financial impact on our Group.

As such profit guarantee is purely a private arrangement between Mr. Ding and Hunan HTVC, our Directors confirm that the profit guarantee does not constitute a profit forecast of our Group under Rules 11.16 to 11.19 of the Listing Rules and such amount should not be regarded in any way as an indication of our Group's projected profit for the relevant financial years.

Based on the profit estimate as set out in Appendix III to this prospectus, we are of the view that our Group's actual audited consolidated net profit for the year ended 31 December 2013 (which shall exclude non-recurring income and expenses, such as the listing expenses to be charged to the Group's consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2013 of approximately RMB6.8 million) will be more than RMB95 million (i.e. more than 95% of the guaranteed consolidated net profit of RMB100 million for the year ended 31 December 2013), and thus it is expected that Mr. Ding will not have to pay any compensation for the year ended 31 December 2013 to Hunan HTVC in this connection under the Investment Agreement.

Anti-dilution rights. Save for any Shares issued pursuant to the Global Offering and the Capitalisation Issue, our Company is not allowed to issue or offer any Shares to other investors on terms more favourable than the terms issued to Hunan HTVC prior to the Listing. Hunan HTVC is entitled to request our Company to allot and issue additional Shares on the same or more favourable terms in order to maintain its existing shareholding in our Company. As our Company does not intend to issue any additional Shares prior to the Listing (except for the Shares issued pursuant to the Capitalisation Issue and the Global Offering), such anti-dilution right will not be exercisable by Hunan HTVC prior to the Listing.

Right of first refusal and tag-along rights. Hunan HTVC is granted a right of first refusal, pursuant to which Mr. Ding shall first offer to sell his Shares to Hunan HTVC at the same price and on the same terms as a proposed sale of Shares to a third party purchaser. Hunan HTVC is entitled to include its Shares for sale together with the Shares of Mr. Ding as part of the sale to a third party purchaser.

Put option. If (a) our Shares are not listed on the Main Board after 31 December 2014; (b) there is a sale, lease, transfer, franchise or confiscation of a substantial part of our business or assets; or (c) any substantial change in the controlling shareholding of our Company (save as any change made pursuant to the Reorganisation), Hunan HTVC is entitled to exercise its put option, requesting Mr. Ding to purchase all of the Shares held by Hunan HTVC at a price calculated based on its then shareholding, then subscription price under the Investment Agreement and the time when the put option is exercised. Hunan HTVC has unconditionally and irrevocably waived its rights to exercise the put options referred to in (b) and (c) above pursuant to a waiver letter dated 30 September 2013.

Non-competition undertaking. Mr. Ding has undertaken to Hunan HTVC that, for a period of three years after the completion of the investment by Hunan HTVC, Mr. Ding will not, without the prior written consent of Hunan HTVC, be engaged or interested in carrying on any business which directly competes with the business of our Group. Pursuant to the Investment Agreement, Hunan HTVC also undertakes not to transfer its Shares to our competitors without the consent of our Company and Mr. Ding.

The special rights set out in the paragraphs headed “Profit guarantee” and “Non-competition undertaking” will continue after Listing, while those set out in the paragraphs headed “Information rights”, “Anti-dilution rights”, “Right of first refusal and tag-along rights”, and “Put option” above will be terminated upon Listing.

Pursuant to the Investment Agreement, the Shares subscribed by Hunan HTVC are not subject to any lock-up arrangement after the Listing. Upon completion of the Global Offering, Hunan HTVC will hold approximately 3.0% of the issued share capital of our Company and is not a substantial shareholder or connected person of our Company under the Listing Rules. As such, the relevant Shares held by Hunan HTVC will be counted as part of the public float under Rule 8.08 of the Listing Rules. Hunan HTVC has confirmed that it has no intention to take up any Shares in the Global Offering.

The following table sets forth a summary of the pre-IPO investments by Mr. Yau and Hunan HTVC:

Investor	**Mr. Yau**	**Hunan HTVC**
Date of the investment agreement	8 August 2011	27 July 2012
Amount of investment	RMB13,860,000 (equivalent to approximately HK$17,599,000)	HK$24,844,400
Settlement date of investment amount	27 October 2011	27 July 2013
Investment cost per Share *(Note)*	HK$1.22	HK$2.06
Premium/discount to the Offer Price of HK$1.75 per Share (being the mid-point of the indicative Offer Price range) *(Note)*	Discount of 30.1%	Premium of 17.7%
Use of proceeds from the pre-IPO investment	Retained by Mr. Ding and the Other Initial Shareholders	For the repayment of our Group's loans, supplementing our Group's working capital and the payment of listing expenses
Shareholding in our Company immediately upon Listing *(Note)*	3.6%	3.0%

Note: The calculations are based on 14,396,775 Shares and 12,064,498 Shares held by Mr. Yau and Hunan HTVC respectively upon completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

The Sponsor confirms that the pre-IPO investments by Mr. Yau and Hunan HTVC are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Listing Committee on 13 October 2010.

COMPLIANCE AND APPROVALS

As advised by our PRC Legal Advisers, the transfer of the equity interest in Hunan Huisheng to Hong Kong Huisheng has complied with the relevant PRC laws and regulations and all necessary approvals from the PRC regulatory authorities required to effect such equity transfer have been obtained.

The Regulations on the Merger with and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the "M&A Regulations")

Pursuant to the M&A Regulations, where a domestic individual intends to take over his related domestic company in the name of an offshore vehicle which he lawfully established or controls, such takeover shall be subject to the examination and approval of the MOFCOM; and the M&A Regulations require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC entities or individuals to obtain the approval of the China Securities Regulatory Commission (中國證券監督管理委員會) prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

The M&A Regulations further provide the definition of "takeover of a domestic enterprise by a foreign investor". According to Article 2 of the M&A Regulations, "takeover of a domestic enterprise by a foreign investor" is defined as a situation where a foreign investor purchases by agreement the equity interests in a domestic non-foreign invested enterprise (a "**domestic enterprise**") or subscribes to the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; or a foreign investor establishes a foreign invested enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets; or a foreign investor purchases by agreement the assets of a domestic enterprise, and then uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets.

We have been advised by our PRC Legal Advisers that Hunan Huisheng was a foreign-invested enterprise when it was acquired by Hong Kong Huisheng, and thus did not fall under the definition of "domestic enterprises" in the M&A Regulations. Therefore, the Reorganisation and the Listing have not involved any merger or acquisition of domestic enterprises through the acquisition of equity or asset by foreign investors within the ambit of the provisions of the M&A Regulations, and is therefore not subject to the M&A Regulations. The opinion was endorsed by a written confirmation issued by the Department of Commerce of Hunan Province (湖南省商務廳) on 9 November 2011. Our PRC Legal Advisers are of the view that prior to the issuance of its written confirmation, the Department of Commerce of Hunan Province (湖南省商務廳) was aware of the whole arrangement of the reorganisation of Hunan Huisheng (including the arrangement that Mr. Yau would receive not more than 5% of the issued share capital of our Company upon the transfer of his 25% equity interest in Hunan Huisheng). Based on the above, we have been advised by our PRC Legal Advisers that the Reorganisation and the Listing have complied with the applicable PRC laws and regulations and no other approval, consent, filing or registration is required from the PRC regulatory authorities.

The Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "No. 75 Notice")

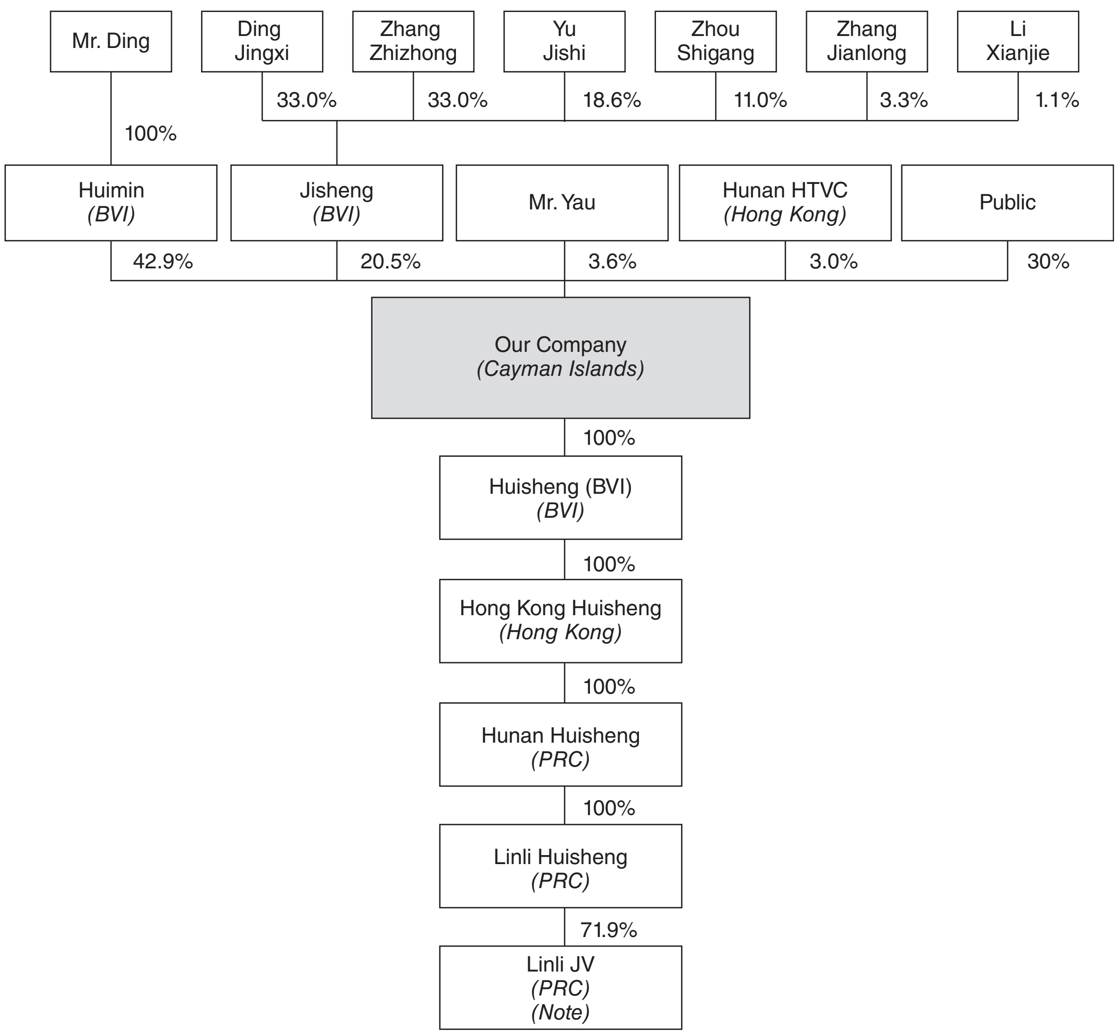
Pursuant to the No. 75 Notice, domestic residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by domestic residents are required to effect foreign exchange registration with the local foreign exchange bureau.

Our PRC Legal Advisers have further advised us that as Mr. Ding and the Other Initial Shareholders are regarded as PRC residents under the No. 75 Notice, they are subject to the registration and filing requirements under the No. 75 Notice for being our Shareholders and that they completed the registration pursuant to the No. 75 Notice on 27 December 2011. Neither Mr. Yau nor Hunan HTVC is subject to the registration and filing requirements under the No. 75 Notice.

INCREASE IN AUTHORISED SHARE CAPITAL OF OUR COMPANY AND THE CAPITALISATION ISSUE

Pursuant to the written resolutions of all Shareholders passed on 11 February 2014, the authorised share capital of our Company will conditionally be increased from HK$380,000 to HK$15,000,000 by the creation of 1,462,000,000 new Shares. Our Company will also issue 299,989,581 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company. Details of these written resolutions are referred to in the paragraph headed "3. Resolutions in writing of all Shareholders passed on 11 February 2014" in Appendix VI to this prospectus.

The following chart sets out our shareholding and corporate structure immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised):



Note: Linli JV is owned as to approximately 71.9% by Linli Huisheng, 20% by NeX Eco-Agriculture and 8.1% by Changde Wuxing.

OVERVIEW

We are one of the largest pork suppliers in terms of revenue in 2012 in Changde, Hunan Province, the PRC, principally engaged in the production and sale of pork products. Our operation mainly involves hog slaughtering as well as hog breeding and hog farming. The majority of our revenue was generated from the sale of pork products to customers in Hunan Province, the PRC. As at the Latest Practicable Date, our Wuling Slaughterhouse was one of the 12 "Class A Hog Slaughtering Enterprises* (A類合格生豬定點屠宰企業)"[(Note 1)] in Changde recognised by the People's Government of Changde in 2013 and also the only hog slaughterhouse authorised by the People's Government of Changde in Changde City Areas, while the other 11 "Class A Hog Slaughtering Enterprises" were located in other areas of Changde. Our pork products include fresh, chilled, frozen pork and side products as well as processed pork products including cured pork and sausages. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, the number of hogs being slaughtered by us was approximately 581,434, 684,075, 705,459 and 530,471 heads respectively. For the year ended 31 December 2012, our total production volume of pork products was approximately 52,754 tons, representing approximately 12.7% of total output volume of pork in Changde[(Note 2)]. According to the Ipsos Report, the hog industry[(Note 3)] in Hunan Province is fragmented with no single player sharing more than 2% of the market value in Hunan Province in 2012; similarly, the PRC hog industry was fragmented with no single player sharing more than 5% of the market value in the PRC in 2012. Moreover, our Company ranked first in Changde, third in Hunan Province and within the top 20 among the 2,400 large-scale slaughterhouses in the PRC in terms of revenue in 2012.

We commenced our hog slaughtering operations and the construction of our Health Breeding Farm for hog breeding in January 2008. The pork products produced from our first batch of hogs which were bred and farmed in our Health Breeding Farm were launched to the market in early 2009. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, approximately 93.8%, 94.0%, 94.9% and 94.9% of the total number of hogs that we slaughtered respectively were purchased from third party suppliers, while approximately 3.5%, 4.3%, 3.9% and 3.5% of the total number of hogs that we slaughtered respectively were bred and farmed at our Health Breeding Farm, Contract Farms and Fattening Farms. With a view to ensuring the quality of our pork products and further expanding our output capacity of hogs, we intend to further enhance our vertical integration and have developed our own Breeding and Farming Model which involves the specialisation of mating, pregnancy and nursing technique of piglets and outsourcing of fattening process to local Fattening Farmers to gradually expand our hog farming capacity. As at the Latest Practicable Date, we had contracted with 33 Fattening Farmers in Changde, Hunan Province.

Notes:

1. *Pursuant to the Administrative Provisions for Hog Slaughtering* (生豬屠宰管理條例), hog slaughtering enterprises are classified into two classes according to different levels of compliance requirements. Hog slaughtering enterprises which could comply with the legal requirements in the Administrative Provisions for Hog Slaughtering* (生豬屠宰管理條例) and the requirements of the standards of inspection and recertification which are set out in the Notice on Strictly Implementing the Standards of Inspection and Recertification for Hog Slaughtering Enterprises* (關於嚴格執行生豬定點屠宰企業審核換證標準的通知) are classified as class A, and they are required to adhere to state level administrative rules and regulations. Class B hog slaughtering enterprises are in general smaller in scale and located in rural districts, and they are required to adhere to local administrative rules and regulations.*

2. *Our Group's market share in Changde was calculated with reference to the total output volume of pork in Changde in 2012 reported in The Statistic Yearbook in Hunan 2013 (湖南統計年鑒2013) and the total production volume of pork products (excluding hogs slaughtered for other individual slaughtermen) of our Group in 2012.*

3. *Hog industry comprises hog husbandry, hog slaughtering and pork distribution.*

We expanded our range of pork products from fresh pork and side products to include chilled and frozen pork products in mid-2008 and seasonal processed pork products, including cured pork and sausages by the end of 2008. Our packaged products including frozen pork and processed pork products are sold under our registered trademark "歪脖脖". Since the commencement of our operation, we have adhered to a developed internal system of quality control in respect of our entire breeding, farming, slaughtering and production process. For details of our quality control procedures, please refer to the paragraph headed "Quality control" in this section.

Our customers include operators of Cooperative Retail Shops, supermarkets, wet market pork traders, individual and corporate pork product traders and food processing factories. During the Track Record Period, over 80% of our pork products, in particular, fresh pork, chilled pork, side products and processed pork products, were sold in Changde and other major cities in Hunan Province. We have gradually expanded the sales radius of our frozen pork products to markets outside Hunan Province including Guangdong Province, Beijing City, Shandong Province, Jiangsu Province, Fujian Province and we will continue to explore other markets for our frozen pork products.

Over the years, we have received a number of awards from various authorities in the PRC, including but not limited to the "Leading Enterprise of Industrialisation of Agriculture in Hunan Province* (湖南省農業產業化龍頭企業)", "Grade A Quality Assurance Enterprise in Hunan Province* (湖南省質量信用A級企業)", "Model Corporation of Food Safety 2011* (2011年度食品安全示範單位)", "Model Standardised Venue for Hog Farming* (生豬標準化示範場)" and "Advanced Corporation in Environmental Protection* (環保先進企業)". We have also obtained ISO9001 and ISO22000 accreditations for our quality management system and food safety management system respectively. Our trademark "歪脖脖" has been awarded as the "Well-known Trademark in the PRC* (中國馳名商標)" and the "Well-known Trademark of Hunan Province* (湖南省著名商標)" to signify our recognised position in the hog industry in Hunan Province.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our total revenue amounted to approximately RMB754.2 million, RMB1,073.9 million, RMB1,047.6 million and RMB803.9 million respectively, and our profit attributable to the owners of our Company amounted to approximately RMB80.5 million, RMB127.5 million, RMB94.1 million and RMB69.9 million respectively.

It is our Group's strategy and ultimate goal to streamline and vertically integrate our entire business operation through further implementation of our Breeding and Farming Model and expansion of our hog slaughtering capacity in order to ensure a stable supply of quality hogs and minimise reliance on third party suppliers in the future. We believe that such expansion will strengthen our market reputation and enhance our market penetration in Hunan Province as well as other areas in the PRC, and to become a nationwide pork supplier. For details of our expansion plan, please refer to the paragraph headed "Our business strategies" in this section.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributed to a combination of our competitive strengths set out as follows:

Well positioned to capitalise on the consolidation trend of the hog industry in the PRC

Pursuant to the National Hog Slaughtering Industry Development Plan Summary (From 2010 to 2015)* (全國生豬屠宰行業發展規劃綱要(2010–2015年)) promulgated by the Ministry of Commerce:

- hog slaughtering and processing enterprises are strongly encouraged to consolidate and vertically develop their operation from slaughtering, processing and delivery to retail and they are encouraged to cooperate with or to develop their own breeding farms, and install advanced cooling and freezing system for the development of their own branded pork products;

- the number of hog slaughterhouses is to be strictly controlled to not more than four for municipalities and cities with a population of more than 5,000,000, two for prefectures and one for counties respectively; and

- hog slaughterhouses with poor techniques and low production capacity are to be eliminated so as to ensure hygienic and food safety requirements are met. In particular, 30% of these hog slaughterhouses are to be eliminated by 2013 and 50% by 2015; while for developed areas and cities, approximately 80% of these hog slaughterhouses are to be eliminated.

With reference to the Hunan Province's Embodiment to Implement National Hog Slaughtering Industry Development Plan Summary (2010–2015)* (湖南省貫徹《全國生豬屠宰行業發展規劃綱要(2010–2015年)》實施方案), the total number of designated hog slaughterhouses in Hunan Province shall be limited to 120 by 2015. It is encouraged to develop modern and large slaughterhouses and processing enterprises in the major hog producing counties and to develop pork processing enterprises.

Our Group had our own Breeding Farms and production base for hog slaughtering and pork processing before the promulgation of the above plans and policies. We are one of the 12 "Class A Hog Slaughtering Enterprises* (A類合格生豬定點屠宰企業)" in Changde recognised by the People's Government of Changde in 2013. As at the Latest Practicable Date, we were the only hog slaughterhouse authorised by the People's Government of Changde in Changde City Areas. We had also developed our own brand name through the use of our trademark "歪脖脖" registered in the PRC since 2009.

Our Group has taken on the lead whereby we already had the requisite know-how for hog breeding and farming and the facilities for slaughtering and processing pork products and have developed the Breeding and Farming Model. With the enhancement in vertical integration of our operation through the adoption of Breeding and Farming Model, and the implementation of the expansion plans, we will be able to take advantage of the implementation of the above plans and policies together with the consolidation trend of the industry hence enhance our competitiveness and increase our market penetration rate.

Our production base is situated at a strategic location

Hunan Province is one of the major provinces for pork industry in the PRC. According to The Statistic Yearbook of Husbandry Industry in China 2012* (中國畜牧業年鑒2012), total output volume of pork in Hunan Province ranked third after Sichuan Province and Henan Province and accounted for approximately 8.0% of total output volume of China in 2011. During the same year, our output volume of pork was approximately 48.7 million kg which accounted for approximately 0.1% and 1.2% of the output volume of pork in the PRC and Hunan Province respectively.

Our production base is located in Changde of Hunan Province, a city surrounded by Changsha, Zhuzhou, Xiangtan, Wuhan and Chongqing in the northwest of Hunan Province. Changde is located in a transportation hub well connected by highways, railways and canals to many cities of the PRC. Such geographical advantages of our production base enable us to reach out to our targeted markets easily and efficiently.

Further, in accordance with the "Overall Proposal of Comprehensive Social-support Reform on Building 'Resource-conserving and Environment-friendly' Society for Chang Zhu Tan City Cluster* (《長株潭城市群資源節約型和環境友好型社會建設綜合配套改革試驗總體方案》)" and "Regional Plan for Chang Zhu Tan City Cluster (2008–2020)* (《長株潭城市群區域規劃(2008–2020)》)" promulgated by the State Council in December 2008, the development of Changsha, Zhuzhou and Xiangtan would be restructured to focus on the development of advanced technology and high-end production industries. It is intended to relocate the agricultural product industry in these three cities to Changde, where our operation is located.

Dedication to quality control and maintaining high standards of hygiene resulting in our well-recognised brand name

Since the establishment of our Group, we have maintained quality control procedures at various stages of our breeding, farming, slaughtering and production process. Our Breeding Farms and Fattening Farms are subject to our regular controls and inspections, and we maintain strict quality control standards throughout our slaughtering and production process. We have obtained ISO9001 and ISO22000 certifications, the internationally recognised quality assurance accreditations for quality management system and food safety management system respectively. We were also awarded the Model Standardised Venue for Hog Farming* (生豬標準化示範場) for our Health Breeding Farm by the Commission of Poultry, Pastoral and Aquatic Products of Hunan Province* (湖南省畜牧水產局). In addition, we also maintain stringent hygiene procedures, pursuant to which our employees are required to comply with during the breeding and farming, slaughtering and production process. We believe our dedication to quality control and maintaining high standards of hygiene have earned our products a strong foothold in Hunan Province.

Our trademark "歪脖脖" has been recognised as the "Well-known Trademark in the PRC* (中國馳名商標)" by the Trademark Office of the State of Administration for Industry and Commerce of the PRC* (國家工商行政管理總局商標局) and the "Well-known Trademark of Hunan Province* (湖南省著名商標)" by the Administration for Industry and Commerce of Hunan Province* (湖南省工商行政管理局). We market and sell our packaged products including frozen pork and processed pork products under our registered trademark "歪脖脖" registered in the PRC. Furthermore, we have received a number of awards, which demonstrate the market recognition of our Group and our brand name, including "Grade A Quality Assurance Enterprise of Hunan Province* (湖南省質量信用A級企業)", "Model Corporation of Food Safety 2011* (2011年度食品安全示範單位)", "Model Standardised Venue for Hog Farming* (生豬標準化示範場)" and "Leading Enterprise of Industrialisation of Agriculture in Hunan Province* (湖南省農業產業化龍頭企業)". We were also accredited as an "Advanced "Corporation in Protection of Consumers' Rights of Hunan Province 2010–2011* (2010年至2011年度湖南省保護消費者合法權益先進單位)" by the Consumers' Association of Hunan Province* (湖南省消費者協會). We believe that the recognition from consumers derives from our dedication to the quality of our products. Details of such awards are set out in the paragraph headed "Awards and certificates" of this section. We believe that our brand name provides us with a foundation to further strengthen our business development and market share.

In addition, the emergence of modern retail chains and supermarkets as an alternative to the traditional wet markets and increasing consumer awareness of food safety and hygiene have led to the growth of branded raw pork products and processed pork products supplied by well-known and reliable producers. Our leading market position in Changde and experience in the hog farming and pork product production provide us with solid foundation for the development of our pork products business. We have acquired considerable technical expertise and know-how in addition to quality control and production management expertise, which can be applied to the processing of pork products to improve production standards. Furthermore, the quality assurance associated with our brand name and our established base of long term customers provide us with an important competitive edge.

We have established a stable and diversified customer base within and beyond Hunan Province

We are one of the major suppliers of pork products in Changde and Hunan Province.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, we had 155, 237, 242 and 168 customers (including the operators of Cooperative Retail Shops) respectively. We have established a stable and diversified customer base in recent years. Our customers include operators of Cooperative Retail Shops, food processing factories, supermarkets, wet market pork traders and individual and corporate pork product traders. We had eight designated sales representatives as at the Latest Practicable Date in cities outside Changde to act as our effective communication channel with our customers, including pork product traders and operators of the Cooperative Retail Shops. Our sales representatives are responsible for liaising and maintaining the relationship with our customers. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, approximately 81.6%, 85.4%, 84.1% and 86.0% respectively of our sales were made in Hunan Province, whilst approximately 18.4%, 14.6%, 15.9% and 14.0% respectively of our sales were made in Beijing City and other provinces of the PRC including Guangdong Province, Shandong Province, Jiangsu Province and Fujian Province.

Experienced management and stable operational team with track record of delivering growth

Our management team has considerable experience and expertise in the hog breeding, hog farming, hog slaughtering and pork processing industries. Mr. Yu Jishi (于濟世) has been working in the field of agriculture for more than 10 years. Mr. Ding, Mr. Zhou Zhenghua (周正華) and a few of our department heads have over five years of experience in the hog breeding, hog farming, hog slaughtering or pork processing industries. Our key management and operational team remained stable during the Track Record Period. With the leadership of our management team, we have grown to become one of the largest pork suppliers in Changde since the establishment of Hunan Huisheng in 2007. Our management has a track record of successfully integrating and expanding our production capacity by increasing our investment in hog breeding, hog farming, hog slaughtering and pork processing. In addition, Mr. Yu Jishi (于濟世), our chief executive officer and Mr. Zhou Zhenghua (周正華), the head of our slaughtering team have obtained certified qualification in quality control and slaughtering respectively. We believe that our success and growth to date has been in large part due to the strength of our management and operational team.

OUR BUSINESS STRATEGIES

Continue to expand our operations and ultimately streamlining and vertically-integrating our operations

We will continue to adhere to our founding motto — "放心肉品，惠民濟生" ("Quality Pork for the People's Well-being"*) — to devote ourselves to providing quality assured pork to the people.

Our Group aims to streamline and enhance vertical integration in our business operations from hog breeding, hog farming, hog slaughtering to processing of pork products through the expansion plans further described below which will allow our Group to assert further control over the quality of our pork products. By increasing the supply of hogs farmed by us, our Group will be able to reduce purchase of hogs from third party suppliers.

Continue to expand our hog breeding and farming capacity

Our total production volume of pork products only represented approximately 12.7% of total output of pork in Changde in 2012. As such, our Directors consider that there are market potential for us to further penetrate into the local market. Moreover, we can sell our chilled and frozen pork products to other nearby cities in Hunan and even other provinces. The annual maximum output capacity of our Health Breeding Farm was approximately 50,000 hogs as at the Latest Practicable Date. We are in the final stage of construction of the Linli New Breeding Farm with an area of approximately 36,000 sq.m. and planned maximum farming capacity of approximately 2,160 sows and annual maximum output capacity of approximately 43,000 hogs. The estimated total investment cost of the Linli New Breeding farm amounted to approximately RMB34.0 million, and as at the Latest Practicable Date, capital expenditure incurred amounted to approximately RMB20.1 million and capital expenditure committed but yet to be incurred amounted to approximately RMB8.7 million. The Linli New Breeding Farm has been put into trial operation since November 2013. We are further planning to construct the Three New Breeding Farms. The estimated total investment cost of the Three New Breeding Farms amounted to approximately RMB86.3 million, and as at the Latest Practicable Date, no capital expenditure was committed or incurred in respect of the Three New Breeding Farms. The following table sets out further details of the Three New Breeding Farms:

	Maximum farming capacity of sows	Annual maximum output capacity of hogs	Expected completion date of construction	Estimated total investment cost (Note 1)	Source of funds for the estimated total investment costs (Note 2)
	(heads)	*(approximate) (heads)*		*(approximate) (RMB'000)*	
Wuxihe Xiang Breeding Farm	2,500	50,000	Third quarter of 2014	38,768	Either (i) entirely from the net proceeds of the New Issue; or (ii) partly from the net proceeds of the New Issue and partly by internally generated funds if the net proceeds of the New Issue are insufficient

	Maximum farming capacity of sows	Annual maximum output capacity of hogs	Expected completion date of construction	Estimated total investment cost (Note 1)	Source of funds for the estimated total investment costs (Note 2)
	(heads)	*(approximate)* *(heads)*		*(approximate)* *(RMB'000)*	
Dingjiagang Xiang Breeding Farm	1,500	30,000	Fourth quarter of 2014	23,775	Either (i) entirely from the net proceeds of the New Issue if there is surplus after application towards the Wuxihe Xiang Breeding Farm; or (ii) partly from internally generated funds and partly by the net proceeds of the New Issue; or (iii) entirely from internally generated funds if there is no surplus after application of the net proceeds of the New Issue towards the Wuxihe Xiang Breeding Farm
Huangtudian Breeding Farm	1,500	30,000	Fourth quarter of 2014	23,775	Either (i) partly from internally generated funds and partly by the net proceeds of the New Issue; or (ii) entirely from internally generated funds if there is no surplus after application of the net proceeds of the New Issue towards the Wuxihe Xiang Breeding Farm and the Dingjiagang Xiang Breeding Farm
Total:	5,500	110,000		86,318	

Note 1: Estimated total investment cost includes construction cost of breeding, farming and environmental facilities, acquisition and installation of relevant equipment and cost of breeder hogs to be purchased.

Note 2: For more detailed information of the source of funds for developing the Three New Breeding Farms, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

The following table set out further breakdown of the estimated total investment cost of each of the Three New Breeding Farms:

	Wuxihe Xiang Breeding Farm	Dingjiagang Xiang Breeding Farm	Huangtudian Breeding Farm
	(approximate) *(RMB'000)*	*(approximate)* *(RMB'000)*	*(approximate)* *(RMB'000)*
Construction cost:			
— *Infrastructure*	350	250	250
— *Production facilities*	15,280	9,080	9,080
— *Staff dormitory and ancillary facilities*	6,150	3,950	3,950
	21,780	13,280	13,280
Acquisition and installation of equipment:			
— *Production facilities*	6,673	4,445	4,445
— *Staff dormitory and ancillary facilities*	1,400	700	700
	8,073	5,145	5,145
Purchase of breeder hogs:	8,915	5,350	5,350
Total investment cost:	38,768	23,775	23,775

We expect that after the completion of the construction and commencement of operation of the Linli New Breeding Farm and the Three New Breeding Farms, our aggregate annual maximum output capacity of hogs will increase by approximately 153,000 hogs. Moreover, the Linli New Breeding Farm and the Three New Breeding Farms are and will be built with a better design and layout and equipped with more advanced equipment and adopted with more advanced farming technique, thus could enable us to improve our farm management and enhance our operational and management efficiency. The new farms could also provide a better living and resting environment for our sows, which we believe is one of the most important factors in promoting the health of our sows and thus the quality of our pork products. As such, our Directors believe that it would be justifiable to construct the Linli New Breeding Farm and the Three New Breeding Farms. During the Track Record Period, we mainly bred our own breeder hogs in the Health Breeding Farm and Contract Farms; going forward, we plan to increase our number of breeder hogs mainly through purchasing from third party suppliers in addition to breeding our own breeder hogs in order to reach the planned farming capacity of sows and the output capacity of piglets for the Linli New Breeding Farm and the Three New Breeding Farms expediently thus better utilise the farming capacities of our new breeding farms. Our Directors consider that such suppliers of breeder hogs can be easily identified and do not foresee difficulties for our Group to source breeder hogs. As we adopt our Breeding and Farming Model in a larger scale, additional breeding staff will also be hired by us and regular training will be given in order to ensure the quality of the hogs bred and farmed by us and our fattening farmers.

We believe that our existing Breeding and Farming Model will strengthen our reputation of providing quality pork products. It is the intention of our Group to replicate our existing Breeding and Farming Model for future expansion. In the long term, in addition to the Linli New Breeding Farm and the Three New Breeding Farms, we intend to construct further breeding farms within Hunan Province with annual maximum output capacity of approximately 50,000 hogs each and to be surrounded by up to approximately 50 fattening farms. As Hunan Province is one of the largest hog breeding provinces in the PRC, our Directors consider that supply of hog feed, breeder hogs as well as the technical staff are sufficient to cater for our Group's expansion.

Continue to expand our slaughtering and processing capacity

The maximum slaughtering capacity of the Wuling Slaughterhouse is approximately 720,000 hogs per year[*(Note)*]. On the basis that our production of pork in 2012 accounted for approximately 12.7% of local Changde market, our Directors are of the view that there is market potential for us to further penetrate into the local market. The utilisation rate of the slaughtering facilities of our Wuling Slaughterhouse during the Track Record Period was approximately 80.8%, 95.0%, 98.0% and 98.2% respectively, which were already close to its maximum output capacity, based on a theoretical estimation.

During our discussions with our customers prior to the renewal of our sales agreement with them for the year ending 31 December 2014, some of our customers have indicated their intention to increase their aggregate purchase orders with us for the year ending 31 December 2014. Further, with a view to providing incentive to our customers to increase their purchase orders with us, we would provide rebates if the increased purchase reach certain levels. Based on the above, our Directors expect that the total purchase orders of our products is likely to increase during the year ending 31 December 2014. Moreover, as our Wuling Slaughterhouse had been in operation prior to its taken over by Changde Huisheng in 2006, we considered the obsolete technology of the production equipment and machinery of the Wuling

Note: The annual slaughtering capacity is calculated based on the currently maximum slaughtering capacity of 2,000 hogs per day and assuming the slaughterhouse operates a total of 360 days per year.

Slaughterhouse not to be technically viable or economically justifiable to undergo further upgrade. As such, we decided to expand our slaughtering and pork processing capacities by constructing the New Production Base which our Directors believe could bring the following benefits to our Group:

(i) it is built with a higher quality standard and equipped with more advanced production equipment, thus we could enjoy cost savings through maximising production efficiency;

(ii) it is designed and constructed in conformity with the stricter quality requirement for exporting our Group's pork products to other cities such as Hong Kong and Macau in order to meet our mid- to long-term objective;

(iii) it will be capable of producing new downstream products of up to 10,000 tons including quick frozen food and pork bones-related products, and as such we could diversify our Group's product offering;

(iv) the increase in our annual maximum slaughtering capacity to approximately 1,000,000 hogs and our annual maximum pork carving capacity to approximately 30,000 tons of pork as well as our freezer storage capacity will help our Group to meet the increasing demand for our products and increase our market penetration within and outside Hunan Province; and

(v) the increase in our scale of operations could also further bring us benefits from economies of scale.

The expected total investment cost in relation to the New Production Base amounted to approximately RMB306.8 million. As at the Latest Practicable Date, the relevant capital expenditure incurred amounted to approximately RMB236.7 million and the capital expenditure committed but yet to be incurred amounted to approximately RMB16.7 million.

The following table sets out further details of the development of the New Production Base:

Phase	**Expected commencement date of trial operation**	**Details of development**	**Estimated total investment cost** *(approximate) (RMB'000)*	**Source of funds**
One	December 2013	• new slaughterhouse with annual maximum capacity of approximately 1,000,000 hogs • pork carving facilities with annual maximum capacity of approximately 30,000 tons of hogs • freezer storage facilities	236,770	Internally generated funds and bank borrowings
Two	around the second quarter of 2014	• down-stream processing facilities of pork products	20,000	Internally generated funds
	around end of 2014	• freezer storage facilities	50,000	Proceeds from New Issue
Total:			306,770	

Based on our expected annual maximum slaughtering capacity after completion of our New Production Base and our expected annual maximum breeding and farming capacity to be attained in the near future, we expect that a significant proportion of hogs that we slaughter will still be purchased from third party suppliers. As we continue to expand our hog breeding and farming capacity, such proportion of hogs purchased from third party suppliers is expected to decrease from the current level of approximately 94% as we operate our Health Breeding Farm and the Wuling Slaughterhouse, to approximately 92% after the commencement of operation of the Linli New Breeding Farm and the New Production Base and gradually decrease further to approximately 82% after the commencement of operation of the Three New Breeding Farms, assuming the relevant farms and slaughterhouses have reached the respective planned annual maximum capacity and without taking into account the hogs to be slaughtered under slaughtering services. As we increase our slaughtering production and processing capacity, additional production staff will be hired by us and regular training will be given in order to ensure the quality of our pork products.

Our Group's cash flow requirement in view of our expansion plan

The estimated total investment cost in relation to the Linli New Breeding Farm, the Three New Breeding Farms and the New Production Base amounted to approximately RMB427.1 million in aggregate, of which approximately RMB170.3 million were yet to be incurred as at the Latest Practicable Date and would be funded by our internally generated funds as well as the net proceeds from the New Issue. It is expected that we would incur significant cash outflow from investing activities for the construction of the New Production Base, the Linli New Breeding Farm and the Three New Breeding Farms and the purchases of equipment and procurement of breeder hogs, and it is further expected that our cash outflow from investing activities will gradually decrease going forward after completion of the construction and the commencement of their operation. Taking into account our net current asset position of approximately RMB223.3 million as at 30 September 2013 and the net proceeds from the New Issue of approximately HK$105.9 million (equivalent to approximately RMB83.4 million, assuming the Offer Price is set at the low-end of the indicative range of the Offer Price) which is sufficient to cover the capital expenditure to be incurred in respect of our expansion plan, and that our operations would be funded by both internally generated funds and proceeds from borrowings obtained or to be obtained by our Group, our Directors are of the opinion that our Group has sufficient working capital for our present requirement, that is, for at least in the next 12 months commencing from the date of this prospectus under Rule 8.21A(1) of the Listing Rules. However, as we partially financed the construction cost of the phase one development of the New Production Base by bank borrowing, additional finance cost to be incurred in relation to the construction of the New Production Base is estimated to be approximately RMB3.1 million, RMB2.8 million and RMB1.8 million respectively for each of the three years ending 31 December 2016 up to the maturity of such loan. Further, based on the estimated investment cost mentioned above, we expect our annual depreciation charges related to the New Production Base, the Linli New Breeding Farm and the Three New Breeding Farms will be approximately RMB20.4 million, RMB1.7 million and RMB4.3 million respectively after they are put into commercial operation. Moreover, to accommodate the expansion of our operational scale, we expect additional staff costs for production and administrative staff and utilities expenses will be incurred in the future.

Continue to expand and diversify our product offerings

Consumer tastes and preferences are constantly evolving, and our success depends on our ability to continually improve and broaden our processed pork product offering to cater to changing consumer preferences. We will continue to develop our processed pork products with the uniqueness of Hunan taste and at the same time, we will undertake extensive market research and obtain feedback from our customers to understand the trends of consumer preference. We seek to develop new processed pork products, such as cooked pork and quick frozen food of signature Hunan dishes to target different types of customers. In addition, we are in cooperation with an expert who is an Independent Third Party to develop new pork bones-related products such as bones soup and bones extract and we currently expect to start the trial production of such pork bones-related products in around the second quarter of 2014. In order to further improve our market share and market penetration, we plan to continue to develop new markets for our processed pork products outside Hunan Province in the near future.

Increase our market coverage so as to become a flagship pork supplier in Hunan Province and further expand to other markets

We aim to become a flagship pork supplier with streamlined operation in the hog industry in Hunan Province in the near future by striving to continue to increase our market share in Hunan Province and gradually extend our foothold to other provinces and cities in the PRC such as Wuhan and Shanghai. Apart from increasing our production capacity, we aim specifically at expanding the sales network of our products by engaging more operators of the Cooperative Retail Shops across Hunan Province so as to better establish our brand recognition and to increase our market share in Hunan Province. We will enhance the structure of our sales team by increasing the number of sales representatives and designating them to focus on particular cities or regions and in more cities outside Changde so as to expand our sales network. Our sales team will be led by Mr. Yu Jishi and designated senior staff will be in charge of respective markets in Hunan Province, Wuhan, Shanghai and other new areas from time to time. We will conduct marketing activities such as organising marketing conference with operators of Cooperative Retail Shops, distributing promotion materials, and continue to offer trade discounts from time to time. We will also focus on maintaining a close relationship with our customers with a view to further enhancing our growth in the market by increasing our market share in both Hunan Province and other parts of China.

We will also develop our sales channel for exporting our products outside China directly. Our Group has a mid-long term objective to expand our market radius to Hong Kong and Macau. It is required to obtain several permits in order to commence the export business. The New Production Base is designed and being constructed in conformity with the requirements for export standards. According to the relevant PRC rules and regulations, in order to export live hogs and/or pork products from the PRC, an export permit is needed and the exported goods have to pass the inspection and quarantine of the Entry-Exit Inspection and Quarantine Bureau (出入境檢驗檢疫局) of the PRC. After the completion of the New Production Base and the obtaining of the export permit, our Group will strive to export our pork products to Hong Kong and Macau. To the best understanding of the Directors, according to the prevailing rules and regulations in Hong Kong, the import of frozen meat and chilled meat into Hong Kong requires an import licence issued by the Food and Environmental Hygiene Department (食物環境衛生署) of Hong Kong. Further, according to the prevailing rules and regulations in Macau, the import of meat (fresh, chilled or preserved) into Macau requires an import licence and pass the sanitary quarantine by the relevant government authorities of Macau. We strive to obtain such licences and permits to achieve our plan of exporting our pork products to Hong Kong and Macau. Prior to obtaining the necessary permits for export to Hong Kong and Macau, we will have to satisfy the relevant regulatory requirements applicable in Hong Kong and Macau in respect of our product quality and production facilities. We have engaged Hunan Quality System Promotion Center* (湖南省質量體系促進中心) to advise us on the design and standard of the production facilities at the New Production Base. We intend to apply for the relevant export permits and import licences after the trial operation of the New Production Base, but no definitive timetable is available yet. As at the Latest Practicable Date, subject to compliance with all standards required under the applicable laws and regulations, our Directors do not expect there will be any material obstacles in obtaining the necessary permits for the export of pork products to Hong Kong and Macau. Meanwhile, we will also continue to develop and market our pork products with the uniqueness of Hunan taste to cater for the needs of our customers.

Maintain high product quality

We believe that the quality of our products is the key to become a flagship pork supplier. We believe our strong market share in Changde and reputation have been built upon the quality of our products. We adopt our established quality control procedures throughout the whole production process in accordance with the measures under ISO9001 for quality management system and ISO22000 for food safety management system. Our quality control measures are implemented in the entire production process, from breeding and farming or procurement of hogs up to delivery of our pork products to our customers. To recognise our dedication of quality control management, our Health Breeding Farm was awarded as the Model Standardised Venue for Hog Farming* (生豬標準化示範場) in December 2012. In view of the incidents in food safety due to the use of forbidden additives in hog feed, such as clenbuterol, we put high emphasis on the quarantine of live hog procurement. We will continue to review and improve our quality control measures. We plan to invest in the research and development of quality control related matters, conducting regular training, hiring additional staff and acquiring equipment for conducting effective quality controls.

We have also adopted stringent selection requirements for our suppliers based on their service reliability and product quality. We conduct regular checks on our products to ensure that they meet our quality standards requirements as well as the prevailing standards under applicable laws and regulations before they are released to the market. In addition, we plan to continue to focus on and improve our quality standards so as to consolidate and strengthen our market share. We also plan to increase our scale of self-breeding of hogs to ensure stable supply of hogs and to maintain the quality of hogs. We aim to achieve a complete vertical integration of operations in the future and we believe our chain of high quality control from hog breeding, hog farming, hog slaughtering to pork products processing will continue to differentiate us from our competitors.

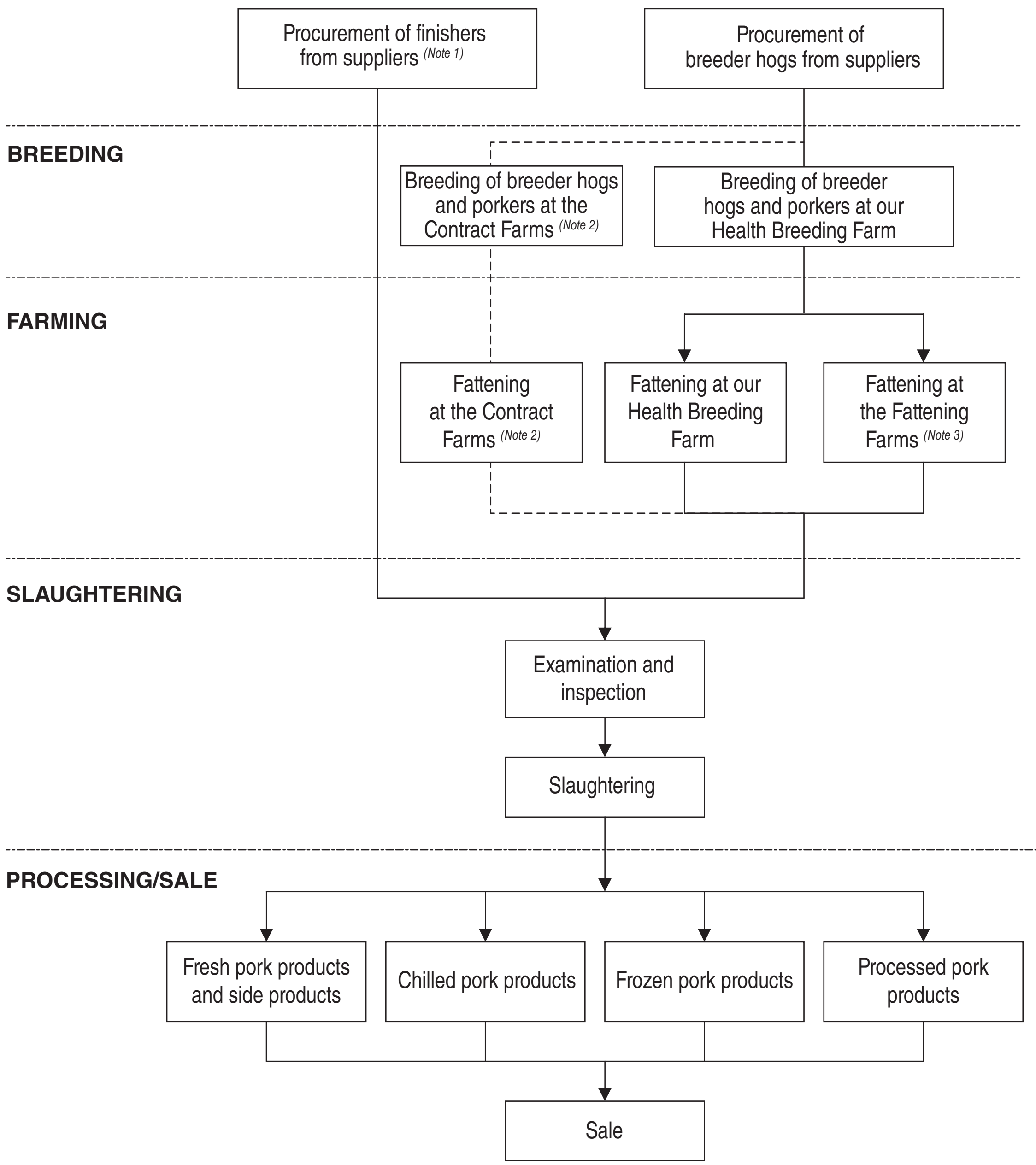
Enhance our brand recognition and corporate reputation

Our trademark "歪脖脖" has been awarded the "Well-known Trademark of Hunan Province* (湖南省著名商標)" by the Administration For Industry and Commerce of Hunan Province* (湖南省工商行政管理局) and the "Well-known Trademark in the PRC* (中國馳名商標)" by the Trademark Office of The State of Administration for Industry and Commerce of the PRC. We believe that brand name and reputation are among the key factors in consumers' purchasing decision. Therefore, we strive to enhance our brand name and reputation by improving the quality of our products and by adopting high standards of hygiene and sanitation so as to assure safety of our products. To promote our corporate image, we adopt stringent and comprehensive measures at our slaughtering and production facilities to reinforce occupational health protection and the hygiene at the production facilities. Moreover, we will further expand our business operations and market foothold such as by constructing our New Production base to enhance our brand recognition. We believe that our strong brand reputation will ultimately assist us in capturing more market share as our production capacity increases.

OUR BUSINESS MODEL

In January 2008, we commenced our production and sale of pork products which has been and will continue to be our core revenue generating operation. While we have engaged in hog breeding and hog farming since 2008, more than 90% of the hogs we slaughtered for the production of our pork products were purchased from third party suppliers throughout the Track Record Period. Our range of products include fresh pork, chilled pork, frozen pork, side products as well as processed pork products.

The following chart generally illustrates our business model during the Track Record Period and up to the Latest Practicable Date:



Notes:

1. *During the Track Record Period, more than 90% of the hogs we slaughtered were procured from third party suppliers.*
2. *During the Track Record Period and up to June 2013, we also entered into cooperation agreements with a total of four Contract Farmers in relation to the operation of four Contract Farms. Such arrangements were ceased as at the Latest Practicable Date. Please refer to the paragraph headed "Contract Farms" in this section for further details.*
3. *We commenced engaging Fattening Farmers to provide hog farming services to us since May 2011. Please refer to the paragraph headed "Fattening Farms" in this section for further details.*

Set out below is a breakdown of the sources and nature of hogs slaughtered by us during the Track Record Period:

	Year ended 31 December						Nine months ended	
	2010		2011		2012		30 September 2013	
	no. of hogs	*% to total*	*no. of hogs*	*% to total*	*no. of hogs*	*% to total*	*no. of hogs*	*% to total*
Hogs purchased from suppliers	545,265	93.8%	643,422	94.0%	669,263	94.9%	503,262	94.9%
Hogs farmed in								
— Health Breeding Farm	*10,723*	*1.8%*	*14,064*	*2.1%*	*13,831*	*2.0%*	*5,668*	*1.1%*
— Contract Farms	*10,010*	*1.7%*	*14,794*	*2.2%*	*4,591*	*0.6%*	*2,822*	*0.5%*
— Fattening Farms	*—*	*—*	*330*	*0.0%*	*9,371*	*1.3%*	*10,009*	*1.9%*
	20,733	3.5%	29,188	4.3%	27,793	3.9%	18,499	3.5%
Hogs slaughtered under slaughtering services	15,436	2.7%	11,465	1.7%	8,403	1.2%	8,710	1.6%
	581,434	100.0%	684,075	100.0%	705,459	100.0%	530,471	100.0%

It is our strategy to enhance the vertical integration of our entire business operation through the expansion of our hog breeding and farming capacity to ensure a stable supply of high quality hogs and minimise reliance on third party suppliers. To achieve such long term expansion goal, our Directors have formulated, based on their knowledge and experience gained throughout the years of operations, our Breeding and Farming Model, which involves (i) the specialisation of reproduction technique of sows at our Health Breeding Farm; (ii) the specialisation in the nursing technique of piglets at our Health Breeding Farm; and (iii) the outsourcing of fattening process to local Fattening Farmers. The construction of the Three New Breeding Farms as mentioned in the paragraph headed “Our business strategies” in this section will provide us with an additional platform to advance our breeding and nursing techniques.

During the Track Record Period, we had entered into cooperation agreements with four Contract Farmers, who were Independent Third Parties, in Changde. Since May 2011, we adopted the Breeding and Farming Model and commenced the engagement of Fattening Farmers to provide fattening services of porkers that we bred. We believe that our Breeding and Farming Model could bring more benefits to our Group’s future development which are elaborated in the paragraph below. As such, we gradually ceased our cooperation with these four Contract Farmers in March 2012, July 2012, May 2013 and June 2013 respectively. We plan to eventually delegate the entire fattening process of hogs to Fattening Farmers while our Breeding Farms will focus on the breeding and nursing of piglets. There is no difference in the fattening process of porkers performed at the Breeding Farms and the Fattening Farms in terms of weight, duration, feed and vaccination etc.

The major differences of our previous business model (i.e. prior to the engagement of Fattening Farmers in May 2011 as detailed above) and the Breeding and Farming Model (i.e. since the engagement of Fattening Farmers in May 2011) are summarised below:

	Previous business model	**Breeding and Farming Model**
Hog breeding	Breeder hogs were housed in our Health Breeding Farm and the Contract Farms, and each of them undertook hog breeding activities.	Hog breeding activities are and will be centralised in our Health Breeding Farm, Linli New Breeding Farm and the Three New Breeding Farms
Hog farming	Scattered at the Health Breeding Farm and Contract Farms. Resources were placed in the purchase of hogs from suppliers at market price and the management and operation of our Health Breeding Farm and the Contract Farms from hog breeding to hog fattening.	Hogs are transferred to the Fattening Farms when they reach the fattening stage at around 60-day-old for further farming until they weigh around 100 kg and are ready for slaughtering. Resources are placed in the breeding and nursing techniques, while fattening process is outsourced to Fattening Farmers by paying service fees for the fattening services.
Hog supply	Mainly rely on third party hog suppliers with limited control throughout the breeding and farming process of hogs for production of our pork products.	Self-sufficiency in terms of hog supply gradually increase which allow us to exert greater control over the breeding and farming process of hogs for production of our pork products thus ensuring the quality of our pork products.
Financial impact		
Cost structure	Cost of sales mainly comprised cost of hogs purchased from third party suppliers.	As a percentage to our cost of sales, cost of hogs purchased will gradually decrease while cost of hog feed and health medicine will gradually increase according to the expanding scale of our breeding and farming capacity.

	Previous business model	Breeding and Farming Model
Profitability	Gross profit margins of pork products produced from hogs purchased from third party suppliers were relatively lower.	Gross profit margins of pork products produced from hogs bred and farmed by our Group are relatively higher thus our Group's overall gross profit margin is expected to gradually increase when the proportion of hogs purchased from third party suppliers decreases. Our financial results will be subject to larger fluctuations of change in fair value less costs to sell of biological assets as the scale of our biological assets increases. Additional depreciation charge will be incurred after our new breeding farms are put into commercial operation.
Long term development	As compared to Fattening Farms, the Contract Farms were of larger size and it was relatively more difficult to source new Contract Farms.	Plan to further expand our breeding and farming capacity under the Breeding and Farming Model to achieve an ultimate goal of fully self-sufficient in terms of hog supply. Nevertheless, as at the Latest Practicable Date, we are yet to formulate any concrete plan for the construction of additional breeding farms other than the Three New Breeding Farms as disclosed in this prospectus.

We have developed the Breeding and Farming Model for the following reasons:

(i) ***Hog breeding requires specialised techniques and we believe that our focus on breeding and farming processes will ensure our stronger control over hog quality.*** According to our experience, throughout the whole breeding and farming process, the procedures of mating, pregnancy and nursing of newborn piglets are more crucial and require more professional attention, while the fattening process comparatively requires more labour work and involves lower level of technical skills which can be easily adhered to by the Fattening Farmers. By adopting the Breeding and Farming Model, our Group will be able to better utilise our expertise and resources on the more critical procedures, such as the mating and pregnancy of sows, as well as nursing of newborn piglets, and spare our resource by delegating the fattening process to local farmers, so that we can maintain better control to ensure stable supply of good quality hogs.

(ii) ***Separation of newborn piglets and breeder hogs from fattening hogs in batches and housing in different fattening farms can lower the risk of cross-infection and outbreak of contagious disease between the hogs.*** Newborn piglets are more vulnerable to diseases and epidemics. Separation of newborn piglets and breeder hogs from the fattening hogs can reduce the chance of cross-infection with fattening hogs. In addition, in the event of outbreak of contagious disease, hogs in the same farm would be easily affected which may result in material losses to our Group. As we would arrange each Fattening Farm not to raise more than 500 hogs at one time, separating the fattening process into different Fattening Farms can effectively diversify the risk in case of any outbreak of epidemics in hog farms and hence may minimise the potential losses to our Group.

(iii) ***Better management and lower operating cost involved in the Breeding and Farming Model.*** The implementation of Breeding and Farming Model can lower our expansion costs as our Group is not required to acquire land for the farms, construct, maintain and operate such farms or to directly hire workers to operate the Fattening Farms. In addition, due to the scattered location and the limited number of hogs raised by the Fattening Farms, the waste produced from hog farming activities will not be emitted in one particular area causing high concentration of waste. Furthermore, our Group can focus more on specialised breeding and farming process and macro-management skills of these Fattening Farms while delegating the more labour intensive fattening processes to the Fattening Farmers. As a result, our Group will be able to operate more efficiently without incurring too much resources on micro-management of the fattening processes on a daily basis.

(iv) ***Breeding and Farming Model is easily scalable and replicable.*** As compared to Contract Farms, Fattening Farmers are in general of smaller size and could be more easily and flexibility to identify suitable farms for future expansion. By establishing a network of Fattening Farmers surrounding our Breeding Farms and outsourcing the fattening process to the local Fattening Farmers, our Group could expand its farming capacity in a more cost-effective way as our Group does not need to build its own farm and hire additional farmers for the fattening process. Our Breeding and Farming Model is easily scalable and replicable which enables our Group to expand our hog farming capacity flexibly according to our long term development plan.

Upon implementation of our expansion plans set out in the paragraph headed "Continue to expand our operations and ultimately streamlining and vertically-integrating our operations" in this section, the proportion of hogs farmed in the Health Breeding Farm and the Fattening Farms will be increased as compared with those purchased from third party suppliers, and our annual maximum slaughtering capacity will be increased from 720,000 hogs to 1,000,000 hogs. Since our Group is already engaging in hog farming, other than the change in cost composition discussed above, our Directors currently anticipate that our cost structure will not change significantly due to the implementation of the Breeding and Farming Model. The risks relating to the adoption of the Breeding and Farming Model and the implementation of our expansion plans are set out in the section headed "Risk factors" in this prospectus.

It is expected that our profit margin and cashflow going forward resulting from enlarged scale of hog farming will be gradually improved due to higher profit margin from pork products produced from hogs farmed by us and our Fattening Farmers rather than procuring from third party suppliers. Our Directors expect that our revenue contribution from the sale of pork products produced from hogs procured from third party hog suppliers and that produced from hogs farmed in our Breeding Farms and Fattening Farms will be approximately 82% and 18% respectively upon full operation and utilisation of the Health Breeding Farm, the Linli New Breeding Farm, the Three New Breeding Farms and the New Production Base and without taking into account the hogs to be slaughtered under our slaughtering services.

Nevertheless, our Directors consider that our Breeding and Farming Model may have the following potential drawbacks:

(i) We may record lower gross profit margin from the sale of pork products produced from hogs farmed by us and the Fattening Farms during the initial stage of operation of our new farms. Our Directors expect that it will take approximately one year after the commencement of operation of the respective new farms until our first batch of porkers become finishers and are ready for slaughtering and sale, and hence, we will normally experience a transitional period when certain fixed costs for operation of our new farms, including staff cost, utilities cost, depreciation cost and feed cost for our breeder hogs, will be spread over a smaller number of hog output thus increase the average cost of each hog.

(ii) Hog fattening services from Fattening Farmers is crucial to the success of the Breeding and Farming Model. It will be necessary for us to identify, engage and retain a sufficient number of Fattening Farmers to cope with our expansion plan. In the event that we cannot engage sufficient number of Fattening Farmers to provide sufficient level of fattening services to us, the schedule of our plan to expand our hog farming and farming capacity could be adversely affected.

(iii) Additional personnel with relevant management expertise will be required to be hired and trained for close monitoring on the fattening procedures of the Fattening Farms to ensure they adhere to our farming requirements. Successful implementation of our management procedure on monitoring the Fattening Farmers and our ability to replicate our management experience across the various breeding farms and the Fattening Farms is crucial to ensure quality of the finishers raised by the Fattening Farmers are of acceptable quality. As such, if we fail to retain the personnel with relevant management expertise and fail to appropriately implement our management procedure in this regard, quality of our pork products may be affected.

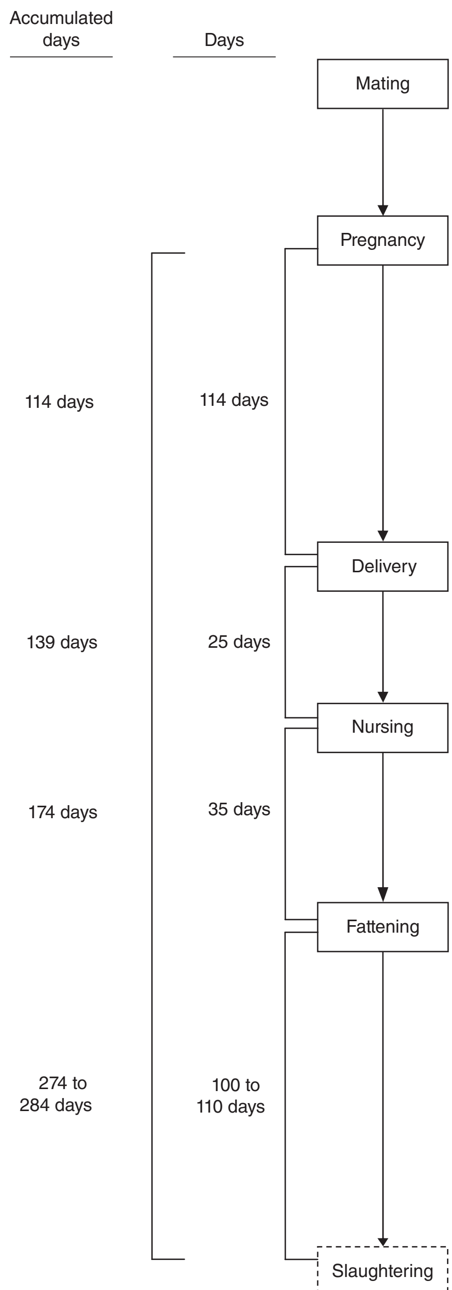
(iv) For the implementation of the Breeding and Farming Model, we will construct additional breeding farms as detailed under the paragraph headed "Our business strategies" in this section and a greater number of hogs will be housed in our own farms and the Fattening Farms in a progressive manner. As such, our financial results in the future will be subject to higher depreciation charges and greater fluctuation of changes in fair value less costs to sell of biological assets.

However, our Directors expect that as the new farms are put into full operation in the subsequent years where the number of hog output increases, our gross profit margin from pork products produced from hogs farmed by us and our Fattening Farmers will improve gradually in the long run as the fixed cost in operating the farms will be spread over a greater number of hog output as we expand our breeding and farming scale. Further, our Directors expect that our gross profit margin from the sale of pork products produced from hogs procured from third party hog suppliers will remain stable as compared to that during the Track Record Period since according to our experience, the price movement of cost of hogs which we purchased from third party suppliers is driven by pork products market, and thus it is generally in line with the movement of the prevailing selling price of pork products. Moreover, through the adoption of the Breeding and Farming Model, we would be able to expand our revenue base and enhance our market foothold given the increased scale of operations. In addition, such vertically-integrated model enables us to reduce reliance on third party hog suppliers and ensure both stable supply and quality of our hogs. Therefore, our Directors consider that the benefits for adopting the Breeding and Farming Model outweigh the potential drawbacks and consider it justifiable to adopt the Breeding and Farming Model to accommodate our expansion plans.

As set out in the paragraph headed "Our business strategies" in this section, additional staff in breeding and production will be hired by us as we implement our expansion plans in increasing our breeding and production capacity. Regular training will be provided by us to our staff so as to maintain the quality of the hogs bred and farmed by us and the pork products which we produce. In addition, the number of our sales representatives will be increased and so as to support our plans for greater market coverage and business development. Based on the current sale of our products and the expected growth in demand in the markets which we operate, our Directors believe that there will be sufficient demand for our products upon implementation of our expansion plans.

BREEDING AND FARMING

As at the Latest Practicable Date, we had one Health Breeding Farm and engaged 33 Fattening Farms. We were also in the final stage of construction of the Linli New Breeding Farm which has been put into trial operation since November 2013. As at the Latest Practicable Date, our breeding and farming operation had a total of 45 staff, including managers, farmers and technicians. We have implemented our Breeding and Farming Model throughout our breeding and farming process, which includes the reproduction of our sows, the nursing and fattening of our hogs to increase our breeding and farming capacity. The following chart briefly illustrates the process of breeding and farming operation and the approximate days require for each stage.



- We adopted the "Duroc x Landrace x Yorkshire" crossbreeding technique, with "Landrace x Yorkshire" crossbred females mating with Duroc males, giving birth to "Duroc x Landrace x Yorkshire" crossbred piglets
- As at 30 September 2013, we had over 1,600 breeder hogs
- Sows will be culled after delivery of around 80 piglets in average, which, to the best of our Directors' knowledge, is in line with the industry average
- Pregnant sows will be transferred to individual delivery sheds expecting delivery. The delivery sheds are cleansed and sterilised for delivery
- Newborn piglets are kept in an incubator to maintain their body temperature and are required to be injected with health vaccination to prevent inflammation and infection
- Weaners will be transferred to and kept in the nursing sheds for around 35 days
- We keep track of the conditions of the weaners regularly and provide them with health medicine and vaccines on a regular basis
- Weaners of around 60-day-old will be transferred to the fattening sheds at our Health Breeding Farm or the Fattening Farms for fattening
- Porkers are bred until they weigh around 100 kg in the fattening shed which will usually take approximately 100 to 110 days on average before slaughtering
- No health medicine which would affect the quality of pork such as antibiotics are added in the hog feed during the last 40 days before slaughtering

We commenced the construction of our Health Breeding Farm in 2008 and the pork products produced from our first batch of hogs bred and farmed by our own Health Breeding Farm were launched to the market in early 2009. During the Track Record Period, the total number of hogs bred and farmed by us accounted for approximately 3.5%, 4.3%, 3.9% and 3.5% of total hogs that we slaughtered during the relevant period.

A breakdown of the types of hogs at our Health Breeding Farm, Contract Farms and Fattening Farms during the Track Record Period is set out below:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Sows/gilts				
— Health Breeding Farm	1,072	870(1)	1,128(2)	1,628(2)
— Contract Farms	809	962(1)	717(3)	—(3)
— Fattening Farms	—	—	—	—
	1,881	1,832	1,845	1,628
Boars				
— Health Breeding Farm	16	27	29	32
— Contract Farms	15	19	15(3)	—(3)
— Fattening Farms	—	—	—	—
	31	46(4)	44	32
Porkers				
— Health Breeding Farm	7,298	2,049(5)	3,241(6)	5,195(6)
— Contract Farms	4,673	4,227	2,650(3)	—(3)
— Fattening Farms	—	3,696(5)	5,708(7)	5,799(7)
	11,971	9,972(8)	11,599	10,994

Notes:

1. The change in the number of sows/gilts was primarily due to the transfer of some of the sows/gilts from our Health Breeding Farm to the Contract Farms in 2011.

2. The increase in the number of sows/gilts in 2012 was primarily due to the purchase of additional sows/gilts from third party suppliers and additional sows/gilts were bred by such breeder hogs bought in 2012 thus increased the number of sows/gilts as at 30 September 2013.

3. The decrease in the number of sows/gilts, boars and porkers was primarily due to the sale of sows/gilts, boars and porkers to the relevant Contract Farmers upon cessation of cooperation arrangements with two Contract Farmers in 2012 and two Contract Farmers in 2013.

4. The increase in the number of boars was primarily due to our expansion of capacity for breeding and nursing of piglets of our Breeding Farms for fattening by Fattening Farmers in 2011 as we started engaging Fattening Farmers in 2011.

5. The change in the number of porkers was primarily due to the transfer of some of the porkers from our Health Breeding Farm to the Fattening Farms as we started engaged Fattening Farmers in 2011.

6. The increase in the number of porkers was primarily due to the increase in sows as discussed in note 2 above.

7. The increase in the number of porkers was primarily due to the engagement of additional Fattening Farmers in 2012 and 2013.

8. The decrease in the number of porkers was primarily due to the relatively high output of hogs in December 2011 for the preparation of relatively early Lunar New Year in January 2012 which is a customary peak in pork consumption.

Breeding and farming facilities

The table below sets out the annual maximum output capacities, actual output of hogs and utilisation rates of the Breeding Farms during the Track Record Period:

	2010	**2011**	**2012**	**30 September 2013**
	(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
Health Breeding Farm				
Annual maximum output capacity of hogs(1)	15,340	32,660	40,000	40,000
Actual output of hogs for the period(2)	11,094	18,198	16,570	14,533
Utilisation rate(3)	72.3%(4)	55.7%(4)	41.4%(4)	48.4%(4)
Contract Farms(5)				
Annual maximum output capacity of hogs(1)	14,631	22,980	16,117	5,527
Actual output of hogs for the period(2)	10,010	19,255	15,270	4,759
Utilisation rate(3)	68.4%	83.8%	94.7%	86.1%
Overall of our Breeding Farms				
Annual maximum output capacity of hogs(1)	29,971	55,640	56,117	45,527
Actual output of hogs for the period(2)	20,733	29,188	27,793	18,499
Utilisation rate(3)	69.2%(6)	52.5%(6)	49.5%(6)	54.2%(6)

Notes:

1. Represent the theoretical maximum number of porkers that could be produced which is estimated based on (i) the maximum farming capacity of sows of our Health Breeding Farm and the Contract Farms for the respective period end assuming such maximum number of sows maintained throughout the year regardless of whether the actual number of sows were being housed at any point of time; and (ii) each sow could deliver 20 piglets each year, which is calculated based on the average number of pregnancy of sows each year according to the gestation period of sow and the average number of piglets delivered in each pregnancy of sow and after taking into account the average mortality rate of hogs during the nursing process.

During the Track Record Period, the actual mortality rate of hogs of our Breeding Farms and Fattening Farms, which is calculated based on the total number of hogs died during the period divided by the total number of piglets delivered during the period, were approximately 4.6%, 5.5%, 5.1% and 5.2% respectively. To the best knowledge of our Directors, the actual mortality rates of hogs for each of the Health Breeding Farm, Contract Farms and Fattening Farms during the Track Record Period did not exceed the industry average.

In respect of our Health Breeding Farm, the maximum farming capacity was approximately 767, 1,633, 2,000 and 2,000 heads of sows during the Track Record Period respectively, which translated to the annual maximum output capacity of approximately 15,340, 32,660, 40,000 and 40,000 heads of hogs respectively. In respect of our Contract Farms, the maximum farming capacity was approximately 732, 1,149, 806 and 276 heads of sows during the Track Record Period respectively, which translated to the annual maximum output capacity of approximately 14,631, 22,980, 16,117 and 5,527 heads of hogs respectively. Therefore, the overall maximum farming capacity of our Breeding Farms for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 was approximately 1,499, 2,782, 2,806 and 2,276 heads of sows respectively, which translated to the overall annual maximum output capacity of approximately 29,971, 55,640, 56,117 and 45,527 heads of hogs respectively.

2. The actual output of hogs of our Health Breeding Farm and Contract Farms included finishers for slaughtering and hogs transferred to the Fattening Farms and another farms mainly for further farming as breeder hogs during the respective periods. The overall actual output of hogs of our Breeding Farms referred to finishers for slaughtering during the respective periods. Therefore, sum of the actual output of hogs of our Health Breeding Farm and Contract Farms would be greater than the overall actual output of hogs of our Breeding Farms.

   The actual output of hogs calculated in the above table excluded the number of hogs sold during the respective periods, as the hogs sold during the Track Record Period included porkers of different ages which were yet to become finishers. If the hogs sold of nil, 3,991, 516 and 3,116 hogs during the respective periods were included in the number of hogs output, the overall utilisation rates of our Breeding Farms during the Track Record Period would be approximately 69.2%, 59.6%, 50.4% and 61.0% respectively.

3. The utilisation rates of our Breeding Farms were calculated by dividing the actual output of hogs by the approximate annual maximum output capacities of the respective period. The utilisation rates for the nine months ended 30 September 2013 represented annualised utilisation rates.

4. During the Track Record Period, the utilisation rates of our Health Breeding Farm were approximately 72.3%, 55.7%, 41.4% and 48.4% respectively. The low utilisation rates of our Health Breeding Farm were mainly due to the fact that there were only a total of 556, 699, 950 and 1,213 sows housed in the Health Breeding Farm as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively, as compared to the maximum farming capacity of approximately 767, 1,633, 2,000 and 2,000 heads of sows for our Health Breeding Farm during the Track Record Period respectively. As we mainly bred our own breeder hogs (boars, sows and gilts) in the Health Breeding Farm and the Contract Farms during the Track Record Period, it takes a longer time for our Group to breed and accumulate sufficient sows to reach the desire output capacity of the hog farms. As such, our Directors consider that our Group had almost fully utilised its existing production assets (sows) in our Health Breeding Farm and the Contract Farms for the output of hogs during the relevant period and the low utilisation rates of our Health Breeding Farm do not necessarily imply that our Group has abundant spare capacity.

   The utilisation rates of our Health Breeding Farm decreased from approximately 72.3% for the year ended 31 December 2010 to approximately 55.7% for the year ended 31 December 2011 as our Health Breeding Farm was under construction for expanding its farming capacity during the year ended 31 December 2011, meanwhile, it takes a longer time for our Group to breed and accumulate sufficient sows to reach the desire output capacity of our Health Breeding Farm as discussed above.

5. The annual maximum output capacity of hogs and utilisation rates in respect of our Contract Farms were calculated on a time proportion basis taken into account the commencement of the co-operation with two of our Contract Farmers in May 2010 and October 2010 respectively, and termination of the co-operation with our Contract Farmers in March 2012, July 2012, May 2013 and June 2013 respectively.

6. The overall low utilisation rates of our Breeding Farms was mainly due to the number of hogs sold excluded in the calculation of actual output of hogs as discussed in note 2 above and the small number of sows housed in the Breeding Farms as compared to the maximum farming capacity of sows as discussed in note 4 above.

Health Breeding Farm (健康養殖場)

Our Health Breeding Farm is located at Dingcheng District of Changde with an area of approximately 62.3 mu (approximately 41,533.54 sq.m.), and consists of mating sheds, pregnancy sheds, delivery sheds, nursing sheds and fattening sheds. It is our strategy to eventually delegate the entire fattening process to the Fattening Farmers. Our Health Breeding Farm has adopted health breeding principles as directed by Dr. Yin at the Institute of Subtropical Agriculture. These health breeding principles have been implemented in the following disciplines: (a) our facilities set up for mating, nursing and fattening of our piglets and hogs; (b) the choice of our breeds and crossbreeding techniques; and (c) breeding and farming methods including our choice of hog feed. We believe that the implementation of these health breeding principles as directed by Dr. Yin has improved the living environment for raising our piglets and hogs, increased the nutritional value of the hog feed, and thereby improving the general health of our hogs, which ultimately has improved the quality of our pork products. As at the Latest Practicable Date, our Health Breeding Farm had a maximum farming capacity of 2,500 sows and an annual maximum output capacity of approximately 50,000 hogs.

Linli New Breeding Farm

On 17 September 2013, Linli JV was established for construction and development of the Linli New Breeding Farm. Details of the Linli JV was set out in the subparagraph headed “Linli JV” in the paragraph headed “Our principal subsidiaries” in the section headed “Corporate history, development and Reorganisation” in this prospectus.

Our Linli New Breeding Farm is located at Linli County, Changde City, Hunan Province with an area of approximately 54 mu (approximately 36,000 sq.m.) with planned maximum farming capacity of approximately 2,160 sows. The Linli New Breeding Farm is planned to specialise in the process of mating, pregnancy and nursing of newborn piglets and is expected to deliver a maximum of approximately 43,000 piglets per year. The Linli New Breeding Farm has been put into trial operation since November 2013.

Pursuant to an agreement dated 11 October 2013 entered into among Linli Huisheng, NeX Eco-Agriculture, Changde Wuxing, Linli JV and Hunan Huisheng:

- the construction of the Linli New Breeding Farm shall be completed by the parties as soon as possible so as to house the first batch of breeder hogs by the fourth quarter of 2013;

- the preliminary construction and infrastructure construction costs of the Linli New Breeding Farm in the amounts of RMB1,300,000 and RMB9,047,781, which have been paid by Changde Wuxing and Hunan Huisheng respectively, shall be reimbursed to Changde Wuxing and Hunan Huisheng by Linli JV; and

- in respect of the agreements which have been entered into between Hunan Huisheng and third parties (e.g. constructors and equipment suppliers) in relation to the establishment, construction and operation of the Linli New Breeding Farm, Linli JV shall execute novation agreements with Hunan Huisheng and the corresponding third parties pursuant to which Linli JV shall be the contracting party in replacement of Hunan Huisheng, and all liabilities shall be assumed by Linli JV in replacement of Hunan Huisheng.

As we have adopted the Breeding and Farming Model since May 2011, we have already been planning to increase our breeding and farming capacity to specialise in the process of mating, pregnancy and nursing of newborn piglets by the construction of additional breeding farms, regardless of whether joint venture arrangements with local business partners will be formed. As such, we commenced the construction of the Linli New Breeding Farm prior to identification of our joint venture partners of the Linli JV.

Fattening Farms (育肥養殖場)

We adopted our Breeding and Farming Model through the outsourcing of fattening process to local farmers since May 2011. Our Directors considered that our Breeding and Farming Model not only assists us in expanding our farming capacity, but also provides job opportunities, hog farming knowledge and techniques to the local farmers. We consider that such arrangement with the Fattening Farmers and the sustainable and mutually beneficial relationship with the Fattening Farmers will in the long run assist us in maintaining a stable and reliable supply of quality hogs. For details of the benefits of our Breeding and Farming Model, please refer to the paragraph headed "Our business model" in this section.

Cooperation agreements with Fattening Farmers

As at the Latest Practicable Date, we entered into cooperation agreements with 33 Fattening Farmers. For our selection criteria of the Fattening Farms, please refer to the paragraph headed "Selection of Fattening Farms" in this section. The principal terms of the cooperation agreements entered into with the Fattening Farmers were as follows:

- for a term of two years;
- we shall provide approximately 1,000 weaners each weighing around 20 kg per year as well as hog feed and health medicine to each Fattening Farmer, and also provide technical training and consultation to them;
- the Fattening Farmers shall provide farming services exclusively to us and they shall not raise weaners other than those provided by us or sell the finishers to other parties. They shall also raise the weaners in accordance with our farming requirements and use the hog feed and medicine provided by us;
- the Fattening Farmers shall raise the weaners for around 110 days and we will collect the finishers of around 100 kg from them after the fattening process;
- the service fee payable to the Fattening Farmers is calculated with reference to the prevailing market price of hogs per head after deduction of the cost of, inter alia, hog feed, medicine and prevailing market price of weaners provided;

- the service fee payable to the Fattening Farmers under different market conditions is calculated as follow:

  — in the event that the market condition are low, such that when the profit per finisher (i.e. after deducting the cost of weaners, hog feed and medications provided by our Group from the market price of finisher) (the "**Profit**") is below RMB140, we will pay a guaranteed minimum service fee of RMB100 per finisher;

  — where the Profit per finisher exceeds RMB140 but below RMB290, we will pay a service fee equivalent to 70% of the Profit;

  — where the Profit per finisher exceeds RMB290, we will pay a service fee of RMB200 per finisher;

- we shall pay the service fee for each batch of finishers to the Fattening Farmers by bank transfer within 5 days after we collect the relevant batch of finishers from the Fattening Farmers;

- the Fattening Farmers shall inform us of the condition of the Fattening Farms on a regular basis;

- in the event that any Fattening Farmer uses hog feed or medication not provided by us, we are entitled to receive from him a default penalty of 50% of prevailing market price of all finishers raised by him at the time, and in the event that any Fattening Farmer uses brown meat essence or other prohibited substance, we are entitled to receive from him a default penalty of 100% of prevailing market price of all finishers raised by him at the time. In both of the above situations, we have right to terminate the agreement entered into with such Fattening Farmer immediately; and

- Fattening Farmers shall be responsible for any losses incurred arising from death of hogs caused by them, such as mismanagement of farming, improper vaccination or insufficient safety measures in place. If the mortality rate of hogs in a batch of hogs raised by any Fattening Farmer is below 0.5%, such Fattening Farmer shall compensate us our costs incurred including but not limited to the costs of weaners, feed and medications. If the mortality rate of hogs in a batch of hogs raised by any Fattening Farmer is above 0.5%, in addition to compensate us our costs incurred, such Fattening Farmer shall also compensate our losses with reference to the market price of finisher and we are entitled to terminate our agreement with them.

For each of the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013, we collected a total of 330, 9,371 and 10,009 finishers from the Fattening Farmers respectively and paid aggregate service fees of approximately RMB60,000, RMB1,082,000 and RMB1,058,000 respectively, represented average service fee per hog of approximately RMB181.8, RMB115.5 and RMB105.7 respectively of the same period.

Under such arrangement, all porkers farmed at the Fattening Farms are the assets of our Group. The Fattening Farmers are only paid for the provision of the fattening services. The rationale for our Group to pay the guaranteed minimum service fee to the Fattening Farmers is to encourage them to take good care of our assets and to provide a relatively stable return to the Fattening Farmers in exchange for their loyalty and farming services. Our Directors believe that this scheme will provide incentive to attract local farmers to become our Fattening Farmers in order to accommodate our needs of farming services under the Breeding and Farming Model. We plan to recruit more Fattening Farmers in the future so as to expand our farming capacity and to maintain a stable supply of quality hogs from these Fattening Farms.

As advised by our PRC Legal Advisers, the agreements entered into between our Group and the Fattening Farmers are legal, valid and enforceable under the PRC laws. The Fattening Farmers are bound by the terms of these agreements and they are liable to compensate for any default and failure to abide by our Group's fattening procedures. Each of the Fattening Farms has obtained the necessary Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) for hog farming. As further confirmed by our PRC Legal Advisers, our Group shall have no liability regarding the operation of the Fattening Farms. The Fattening Farmers are separate legal persons and shall be responsible for all legal liabilities arising from the operation and maintenance of their respective Fattening Farm. Our PRC Legal Advisers advised that the operation of Fattening Farms during the Track Record Period and up to the Latest Practicable Date has complied with the applicable PRC laws, rules and regulations relating to hog farming and environmental protection.

The following sets out the total number of Fattening Farmers which had entered into cooperation agreements with us during the Track Record Period with a breakdown of new Fattening Farmers and terminated Fattening Farmers during the respective period:

	Year ended 31 December			Nine months ended 30 September
	2010 (Note)	2011	2012	2013
New Fattening Farmers	0	12	12	10
Terminated Fattening Farmers	0	2	0	0
Number of Fattening Farmers as at the end of the respective year/period	0	10	22	32

Note: We started to outsource the fattening process to local Fattening Farmers since 2011.

According to the terms of cooperation agreements entered into with each of the Fattening Farmers, we shall provide to each Fattening Farmer approximately 1,000 weaners each weighing around 20 kg per year. Further, it is our policy to limit the number of each batch of our hogs provided to the Fattening Farmers for fattening to not more than 500 hogs. Therefore, there had been no concentration of fattening process in any of the Fattening Farmers during the Track Record Period and up to the Latest Practicable Date.

We engaged two connected persons, who are the cousins of Mr. Yu Jishi, an executive Director, as Fattening Farmers in May 2011 and August 2011 respectively, as trial run of our Breeding and Farming Model. Such trial operation lasted for less than six months and the agreements with these two Fattening Farmers were terminated in November 2011. Save for the above, the Fattening Farmers during the Track

Record Period and as at the Latest Practicable Date are Independent Third Parties. The termination of the above-mentioned two Fattening Farmers was to avoid any potential conflict of interests and our Directors confirm that there was no liability arising from the termination.

Supervision on Fattening Farms

We have developed a management procedure to monitor the farming procedures of the Fattening Farmers' since recruitment of our first Fattening Farmer in May 2011 and have been updating and improving the same from time to time. As at the Latest Practicable Date, our management procedure includes the followings:

- our staff will pay random visits to the Fattening Farms for not less than twice per month;
- our staff shall have regular communication with the Fattening Farmers by phone not less than twice per week regarding the health condition of the hogs and any difficulty encountered during the fattening process;
- we will keep written records in relation to the observations and results from the visits and telephone communication;
- in order to ensure the quality of our pork products and minimise the risk of using brown meat essence and other prohibited substances during the fattening process, our Group provides all the hog feed and medicines to the Fattening Farmers for farming of hogs;
- Fattening Farmers are required to report to us immediately if there is any disease or death of hogs occurred in the Fattening Farm and we will send veterinarian and our staff to check the conditions of the hogs where necessary;
- should the service fee per hog entitled to a Fattening Farmer is below the threshold or is unexpectedly low, we will evaluate if there is any incident of fault, mistake or misconduct and make comparison with the service fee per hog entitled to other Fattening Farmers in the same area; and
- we would provide a management procedure handbook to each of the Fattening Farmers which sets out in detail our requirements of standardised farming procedures in the Fattening Farms such as disinfection works, feeding, farm environment, vaccination and disease control and the Fattening Farms are required to adhere to these requirements.

Our close monitoring on the Fattening Farms is intended to ensure the finishers raised by the Fattening Farms are of acceptable quality. In case of death of hogs caused by the Fattening Farms or use of feed, medicine or additives which are not provided by us, such Fattening Farm shall compensate us according to the terms of the cooperation agreement.

During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any failure of the Fattening Farmers to abide by our Group's standardised farming procedures.

Contract Farms (托管養殖場)

During the Track Record Period, we have entered into cooperation agreements with four Contract Farmers, who are Independent Third Parties, in Changde. Pursuant to such cooperation agreements, the Contract Farmers agreed to provide the land and facilities for hog breeding and farming and we agreed to pay a fixed fee to the Contract Farmers. We were also responsible for the operation of the Contract Farms and the employment of relevant staff in the Contract Farms. During the Track Record Period, we had paid a total fee of nil, nil, RMB150,000 and RMB220,000 to the Contract Farmers respectively in accordance with the terms of the relevant cooperation agreements that we would pay a lump sum fixed fee to the Contract Farmers during the third year of the respective cooperation period.

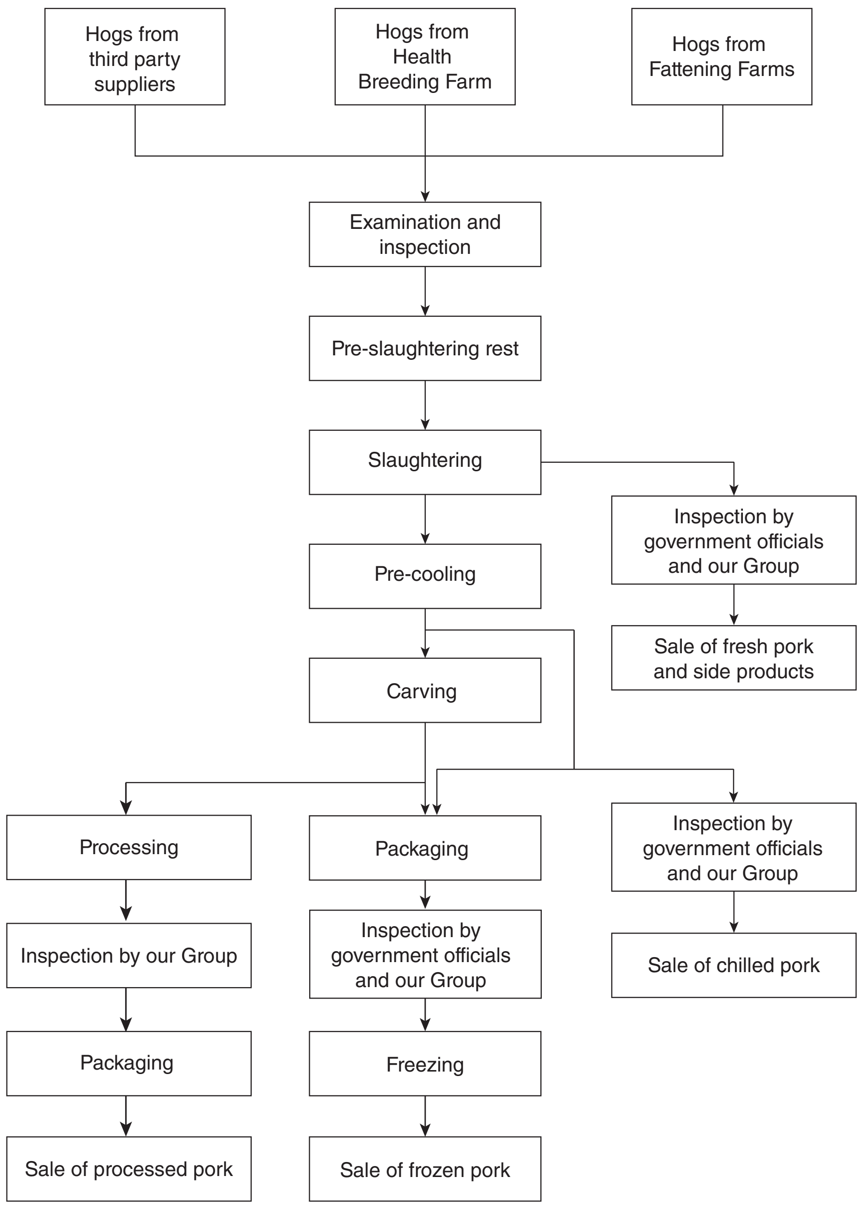
As advised by our PRC Legal Advisers, the cooperation agreements entered into between our Group and the respective owners of the Contract Farms during the Track Record Period and the arrangements with the respective owners of such Contract Farms were legal, valid and enforceable under PRC laws.

Each of the Contract Farms possessed the necessary Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) for hog farming. As advised by our PRC Legal Advisers, the owners of the Contract Farms were responsible for the compliance of the relevant laws and regulations, including environmental laws and regulations, in respect of the construction and maintenance of their farms; meanwhile, our Group was responsible for the compliance of the relevant laws and regulations, including environmental laws and regulations, in respect of the daily operation of the Contract Farms. Our PRC Legal Advisers further advised that as our Group and each of the owners of Contract Farms were separate legal entities, we shall not be responsible for any legal liabilities arising from any breach of the relevant regulations by the owners of Contract Farms. As further advised by our PRC Legal Advisers, during the Track Record Period and up to the cessation of cooperation, the operation of the Contract Farms under the cooperation agreements with us complied with the applicable PRC laws, rules and regulations relating to hog farming and environmental protection.

It was our Group's then business strategy to expand our hog breeding and farming capacities through Contract Farms whereby each of the Contract Farms operated individually with its own hog breeding and farming operations similar to that of our Health Breeding Farm. Each Contract Farm raised breeder hogs for breeding of porkers and took up the whole breeding and farming process. However, as these Contract Farms were often of larger size, it was difficult for us to identify suitable new Contract Farms for our future expansion. As such, we gradually ceased our cooperation with these four Contract Farms and entered into termination agreements with each of them in March 2012, July 2012, May 2013 and June 2013 respectively. Pursuant to such termination agreements, we and the Contract Farmers agreed to terminate or not to renew the cooperation agreements. We agreed to return the operation rights of the Contract Farms to the respective owners. In addition, since mixing different batches of breeder hogs and porkers relocated from the Contract Farms with those at our Health Breeding Farm might pose risks on disease immunity of the breeder hogs and porkers according to our experience, it was agreed that the breeder hogs and porkers at the Contract Farms were transferred to Contract Farmers at an agreed cost payable by the Contract Farmers. The total number of hogs farmed and bred by us remained stable notwithstanding the cessation of cooperation with Contract Farmers as such farming capability was gradually taken up by our Health Breeding Farm and Fattening Farms. Our Directors are of the view that the engagement of Contract Farmers, the cessation of cooperation with Contract Farmers and the outsourcing of the fattening process to the Fattening Farms did not pose any material adverse impact to the operations and financial performance of our Group during the Track Record Period. Our Directors confirm that there was no material disagreement between our Group and the Contract Farmers during the Track Record Period up to the cessation of cooperation.

SLAUGHTERING AND PORK PROCESSING

The following diagram briefly illustrates the process of our hog slaughtering and pork processing operation as at the Latest Practicable Date.



As at the Latest Practicable Date, our Wuling Slaughterhouse is the only hog slaughterhouse authorised by the People's Government of Changde in Changde City Areas. The maximum slaughtering capacity of our Wuling Slaughterhouse is approximately 720,000 hogs per year and for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, utilisation rates was approximately 80.8%, 95.0%, 98.0% and 98.2% respectively. For those carcasses which are not sold by us as a whole, they will be further processed and carved into various cuts. The maximum processing capacity of our carving operation of our Wuling Slaughterhouse is approximately 12,600 tons of pork products and the utilisation rate was approximately 98.4%, 107.7%, 110.2% and 124.9% respectively, during the Track Record Period. The utilisation rate of the carving operation of the Wuling Slaughterhouse for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 was above 100% which was mainly due to the overtime work of our carving team in order to meet the sales orders from our customers.

We also provide slaughtering services to other individual slaughtermen and the number of hogs slaughtered under such service only accounted for approximately 2.7%, 1.7%, 1.2% and 1.6% of total number of hogs slaughtered by us respectively and the revenue of which accounted for less than 0.1% of our total revenue for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013. The provision of slaughtering services to other individual slaughtermen only generates minimal income to our Group (an after-tax fixed fee of approximately RMB4 per hog which complies with the relevant regulation), hence, it is not our Group's focus of operation. Rather, we have been and will continue to focus on the slaughtering of hogs either farmed or purchased by our Group which generates better profits to our Group. Although our Wuling Slaughterhouse, being the only hog slaughterhouse authorised by the local government in the Changde City Areas, has the responsibility to provide slaughtering services to other individual pork products traders in Changde City Areas, the demand of our Group's slaughtering services from the locality had been decreasing during the Track Record Period. To the best knowledge and belief of our Directors, individual pork traders who used to procure slaughtering services from our Group for hogs that they procured from hog farmers and further distribute their pork products (after slaughtering by our Group) had been gradually shifted to directly purchasing pork products from our Group or our Group's customers, who are pork product traders, since it may no longer be economically efficient for them to source and procure their own hogs and transport to our slaughterhouse for slaughtering. Moreover, after our Wuling Slaughterhouse became the only authorised slaughterhouse in Changde City Area, the market competitiveness of these individual pork traders has been worsen as our Group enjoys benefits from economies of scale and has established market reputation of quality pork.

A breakdown of the sources and nature of hogs slaughtered by us during the Track Record Period is set out below:

	Year ended 31 December						Nine months ended	
	2010		2011		2012		30 September 2013	
	no. of hogs	*% to total*	*no. of hogs*	*% to total*	*no. of hogs*	*% to total*	*no. of hogs*	*% to total*
Hogs purchased from suppliers	545,265	93.8%	643,422	94.0%	669,263	94.9%	503,262	94.9%
Hogs farmed in								
— Health Breeding Farm	*10,723*	*1.8%*	*14,064*	*2.1%*	*13,831*	*2.0%*	*5,668*	*1.1%*
— Contract Farms	*10,010*	*1.7%*	*14,794*	*2.2%*	*4,591*	*0.6%*	*2,822*	*0.5%*
— Fattening Farms	*—*	*—*	*330*	*0.0%*	*9,371*	*1.3%*	*10,009*	*1.9%*
	20,733	3.5%	29,188	4.3%	27,793	3.9%	18,499	3.5%
Hogs slaughtered under slaughtering services	15,436	2.7%	11,465	1.7%	8,403	1.2%	8,710	1.6%
	581,434	100.0%	684,075	100.0%	705,459	100.0%	530,471	100.0%

We are currently constructing the New Production Base which is to be completed in two phases. Phase one development comprises a new slaughterhouse which provides us an annual maximum slaughtering capacity of approximately 1,000,000 hogs and pork carving facilities with annual maximum capacity of approximately 30,000 tons of pork as well as freezer storage facilities, all of which has been put into trial operation since December 2013. Phase two development is expected to provide us with an additional downstream processing capacity of 10,000 tons of pork products and additional freezer storage facilities, which are expected to start trial operation around the second quarter and end of 2014 respectively. It is intended that the New Production Base will gradually take over the hog slaughtering and pork processing operation of the Wuling Slaughterhouse. During the transitional period, it is expected that the Wuling Slaughterhouse will continue to supply a portion of our fresh pork products and provide slaughtering service to other individual slaughtermen in the Changde City Areas. As our production facilities are situated in the northern part of Hunan Province, which is close to Sichuan Province, both Hunan and Sichuan being major provinces for supply of hogs in the PRC, our Directors believe that our Group will be able to source its hog supply either by purchases from hog suppliers or entering into arrangements with Fattening Farmers. Moreover, as our production capacity increases, we intend to recruit additional staff in different areas, such as production and quality control. Beyond the transitional period, our Directors currently plan to retain the usable facilities and machinery of the Wuling Slaughterhouse and dispose of the land and premises to other parties at prevailing fair market value after the New Production Base has taken over the hog slaughtering and pork processing operation in full. As at the Latest Practicable Date, we had not identified any potential buyer of our Wuling Slaughterhouse.

Procurement of hogs

We procure hogs mainly from individual hogs traders in Changde. During the Track Record Period, approximately 93.8%, 94.0%, 94.9% and 94.9% of the total hogs that we slaughtered respectively were purchased from third party suppliers, who are Independent Third Parties, and approximately 3.5%, 4.3%, 3.9% and 3.5% respectively were bred and farmed at our Health Breeding Farm, Contract Farms and Fattening Farms.

For further information of our suppliers of hogs, please refer to paragraph headed "Purchases and suppliers" in this section.

Admission to our slaughterhouse

Before admission of hogs to our slaughterhouse, we, together with local officials of the Commission of Poultry, Pastoral, Veterinary, Aquatic Products* (畜牧獸醫水產局) who station at our slaughterhouse will check if the necessary Animal Health Inspection Qualification Certificate* (動物檢疫合格證明) has been issued by the relevant authority. Each hog should also carry an ear tag issued by the governmental authority as identification that they are from legitimate sources. Only hogs with the said certificate and ear tags will be admitted for slaughtering.

Pre-slaughter rest

All hogs to be slaughtered will be arranged to take a pre-slaughter rest before slaughtering at our pre-slaughtering sties for observation. During the six to eight-hour rest, hogs will only be provided with water and will not be fed. We will closely monitor the condition of hogs during the pre-slaughter rest to ensure that the hogs are of good condition for slaughtering. Government officials stationed at our slaughterhouse will conduct tests during the pre-slaughter rest on 5% of each lot of hogs admitted to our slaughterhouse so as to ensure that no brown meat essence exists.

Slaughtering

Shortly before slaughtering, officials of local Commission of Poultry, Pastoral, Veterinary, Aquatic Products* (畜牧獸醫水產局) stationed at our slaughterhouse will issue a pre-slaughter notice (准宰通知書) confirming that the hogs have passed the necessary inspections and are fit and ready for slaughtering.

The hogs are slaughtered at our slaughterhouse and are separated into carcasses and side products. While most of the carcasses after slaughtering are sold by us as a whole, some of the carcasses will be further carved into various cuts and sold separately.

As at the Latest Practicable Date, our slaughtering team had 113 staff in total, divided into two shifts, with eight hours per shift. The annual maximum slaughtering capacities of the Wuling Slaughterhouse and the New Production Base are approximately 720,000 hogs and 1,000,000 hogs respectively. It is currently intended that the New Production Base will gradually take over the operation of the Wuling Slaughterhouse.

Pre-cooling

Chilled and frozen pork products, such as whole hog carcasses, will be placed in our pre-cooling room with a temperature ranging from 0°C to 4°C after slaughtering. Due to internal physical and chemical effects, increased acidity level of the carcasses will affect the quality of the pork in terms of freshness and texture. Placing the carcasses in low temperature immediately after slaughtering will lower the acidity level of the carcasses. The process of pre-cooling will take approximately 12 to 24 hours. After the pre-cooling process, the chilled carcasses are ready to be sold as a whole or to be carved.

Carving

After pre-cooling, those carcasses which are not sold by us as a whole are carved into various cuts of pork at a temperature of 15°C or below. Temperatures are controlled throughout the process of carving. We will conduct examination during and after carving. In the event that the carved meat are inedible upon examination, we will dispose them in accordance with applicable regulations.

We conduct the carving process in one shift of approximately 10 hours per day. As at the Latest Practicable Date, our carving team had 89 persons in total. The annual maximum capacity of our pork carving operation of the Wuling Slaughterhouse and our New Production Base are approximately 12,600 tons and 30,000 tons of pork products respectively. It is currently intended that the New Production Base will gradually take over the operation of the Wuling Slaughterhouse.

Packaging

After carving, depending on the products to be made, the pork will be sorted and kept at different temperatures in our production base before delivery. For frozen pork, the pork will be kept at a temperature of -18°C and can be stored for 12 months. Our processed pork products are kept at a temperature below 20°C before delivery. All our packaged products, including frozen pork and processed pork products, are packaged and marketed under our registered trademark "歪脖脖".

PRODUCTS

The range of products that we offer are fresh pork, chilled pork, frozen pork, side products and others. The following table sets out a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Revenue										
Fresh pork	252,001	33.4	360,442	33.6	372,322	35.5	276,423	35.0	355,782	44.3
Chilled pork	225,080	29.9	349,564	32.6	294,948	28.2	229,453	29.1	157,217	19.6
Frozen pork	178,696	23.7	228,243	21.3	239,123	22.8	178,213	22.6	183,414	22.8
Side products	97,646	12.9	127,157	11.7	137,373	13.1	104,167	13.2	103,871	12.9
Others*(Note)*	745	0.1	8,486	0.8	3,854	0.4	1,264	0.1	3,617	0.4
Total	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

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

Fresh pork

Fresh pork is room-temperature pork which has not undergone pre-cooling or any processing which are mainly sold to supermarkets, wet market pork traders, pork product traders and Cooperative Retail Shops in Changde.

Chilled pork

Unlike fresh pork, chilled pork are pre-cooled and stored in strict temperature and environmental controls. Our chilled pork include whole piece chilled carcasses and different cuts of chilled pork products. In 2008, we commenced supplying chilled pork to markets in northwest part of Hunan Province such as Zhangjiajie and Changsha-Zhuzhou-Xiangtan area and Wuhan in Hubei Province. Our chilled pork products are transported to our customers and the Cooperative Retail Shops using refrigerated trucks. Our products are pre-cooled to temperatures of below 4°C before delivery. To maintain its freshness, chilled pork can normally be kept for five to seven days before consumption.

Frozen pork

In addition to chilled pork, we also provide different cuts of frozen pork products to markets throughout the PRC. Our frozen pork are stored at temperatures of around -18°C and can be stored for up to 12 months.

Side products

Side products from our slaughtering process include internal organs, heads, tongues, hooves, tails, hair, skin and blood of hogs. We sell these side products to our customers after they are removed from the carcasses.

Processed pork products

Our processed pork products include cured pork, sausages and other cured side products. These products are seasonal products catered for local sales in Hunan Province. We will continue to develop new processed pork products, such as cooked pork and quick frozen food of signature Hunan dishes to cater for different consumer preferences.

Our processed pork products are typically processed at temperatures of approximately 40°C to 60°C, which ensures higher levels of nutrient retention. These pork products are pre-cooked products requiring some heating before consumption and needed to be stored at temperature of around 20°C which typically have a shelf life of 12 months.

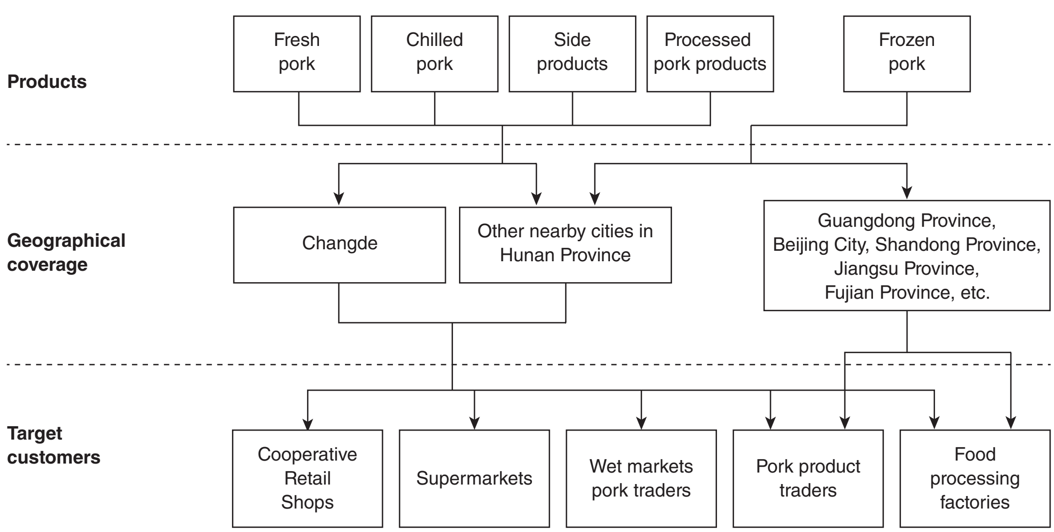
In addition, we are in cooperation with an expert to develop new pork bones related products such as bones soup and bones extract and we currently expect to start the trial run production of such pork bones related products in around the second quarter of 2014.

SALES AND CUSTOMERS

During the Track Record Period, our revenue was derived from our sale of pork products. We have established a diversified customer base for our pork products. In addition to the Cooperative Retail Shops which sell our pork products exclusively, our customers of fresh and chilled pork include supermarkets, local wet market pork traders, food processing factories and pork product traders in Changde and other nearby cities in Hunan Province. Our frozen pork products are mainly sold to food processing factories and pork product traders in nearby cities in Hunan Province and outside Hunan Province, including Guangdong Province, Beijing City, Shandong Province, Jiangsu Province and Fujian Province. During the Track Record Period, our top five customers consisted of individual and corporate pork product traders.

As at the Latest Practicable Date, our sales team consisted of 58 staff among whom 38 are staff responsible for liaising and maintaining relationship with our customers (with 4 designated persons responsible for liaising with the local supermarkets and Cooperative Retail Shops in Changde City, 26 designated persons responsible for liaising with other customers such as wet market pork traders, pork product traders in Changde city, and 8 designated persons responsible for liaising with the customers who are located in cities outside Changde city and Hunan Province) and 20 are administrative and other supporting staff.

The following chart illustrates our sales model as at the Latest Practicable Date:



Sale of pork products to Cooperative Retail Shops

We believe that our extensive and well-managed sales network has assisted us in building a unified image for our products and allowed us to increase our market penetration. One of the major distribution channel of our pork products is Cooperative Retail Shops, which are operated under cooperation agreements entered into with operators of Cooperative Retail Shops. As at the Latest Practicable Date, we entered into cooperation agreements in relation to the operation of 24 Cooperative Retail Shops which are located in Changde and Zhangjiajie (張家界) in Hunan Province and these Cooperative Retail Shops are operated by Independent Third Parties. As at 31 December 2010, 2011 and 2012 and 30 September 2013, there were 20, 18, 24 and 24 Cooperative Retail Shops respectively. The revenue generated from the sale of our pork products to Cooperative Retail Shops amounted to approximately RMB127.0 million, RMB201.9

million, RMB216.6 million and RMB215.5 million respectively and accounted for 16.8%, 18.8%, 20.7% and 26.8% of our total revenue for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 respectively.

The Cooperative Retail Shops form an important part of our brand promotion. The Cooperative Retail Shops bear our company name "惠生" and the products sold at these Cooperative Retail Shops bear our trademark "歪脖脖". The cooperation with the operators of these Cooperative Retail Shops has and will continue to increase our market recognition and brand awareness in the local market.

As at the Latest Practicable Date, the principal terms of the cooperation agreements in respect of the Cooperative Retail Shops are as follows:

- for a term of 1 year in general;
- each Cooperative Retail Shop is operated in a designated geographical location (which shall not be within a radius of 300 meters from our other Cooperative Retail Shops);
- all operating costs of the Cooperative Retail Shops will be borne by the operators of the respective Cooperative Retail Shops;
- our products are the only products allowed to be sold in the Cooperative Retail Shops, and no other products including counterfeit products are allowed to be sold; operators shall renovate the Cooperative Retail Shop in accordance with image design provided. The renovation designs have to be approved by us and all staff employed by the Cooperative Retail Shop shall wear our designated uniform;
- we provide free delivery services of our pork products to the Cooperative Retail Shop;
- operator of the Cooperative Retail Shop is entitled to imprint and use our company name "惠生" and our trademark "歪脖脖" on the signboard of the Cooperative Retail Shop, refrigerating facilities, uniforms and shopping bags. The operator of the Cooperative Retail Shop is not required to pay licence fee to us for the use of our company name and trademark;
- operator of the Cooperative Retail Shop is entitled to price the products at 110% of the price at which such products are sold to them by us, or at any other price as determined by them provided that prior notice has been given to us; and
- we have the right to terminate the cooperation agreement if there is a breach of the provisions of the cooperation agreement.

Apart from the cooperation agreements with regards to the operation of the Cooperative Retail Shops, for the purchase of pork products, operators of the Cooperative Retail Shops will enter into agreements with us and the terms of which are set out in the following paragraph headed "Sale of pork products to other customers" in this section of the prospectus.

We exercise strict control over the operations of the Cooperative Retail Shops to enforce their contractual obligations to maintain the stores' quality standards, sanitary conditions, product assortment and display, and provide training to them through regular visits. Cooperative Retail Shops are responsible for ensuring that they comply with local laws and regulations and we do not have any legal liabilities resulting from the operations of the Cooperative Retail Shops.

In order to promote our products and to ensure compliance with the terms of the cooperation agreements, as at the Latest Practicable Date, we have designated 6 sales representatives to conduct regular discussion from time to time with the operators of the Cooperative Retail Shops to collect their feedback and conduct random on-site checks on the conditions of these Cooperative Retail Shops.

Sale of pork products to other customers

We also sell our pork products to individual and corporate customers, including wet market pork traders, supermarkets, food processing factories and pork product traders. These customers operate independently of our Group.

Apart from one-off sale of pork products to certain customers, we enter into agreement with other customers for the sale of our pork products. We do not have direct contractual relationships with the end-consumers or end-customers of the products sold by these customers.

The principal terms of the agreement are as follows:

- for a term of 1 year in general;
- these customers shall give 3 days prior notice when placing any order for pork products (15 days' prior notice for cured pork); they shall possess relevant licences in the operation of its business and adopt necessary sanitary management system to preserve the quality of the pork products;
- we shall supply our products pursuant to the applicable standard as imposed by the PRC government, and shall provide evidence of the necessary permits and licence as obtained by us to these customers; and
- settled on a monthly basis and in arrears.

There is no restriction under such agreement prohibiting these customers to sell the products to other persons. There is no provision regarding product liabilities in such agreement. No minimum purchase requirement was provided under such agreement relating to the sale of pork products.

Our Group adopts a no recourse sales policy. We recognise our sales once our products have been sold to these customers and all titles and risks in connection with such products will also be passed to these customers. After these customers have acknowledged receipt of those products, they will not be entitled to any recourse from our Group if they fail to sell our products to the end-customers.

Sale of side products

Our side products include internal organs, heads, tongues, hooves, tails, hair, skin and blood of hogs. We sold each type of side products to individual pork products traders and we do not provide processing services for these side products.

We enter into agreement with our customers for the sale of side products. The principal terms of the agreement are as follows:

- for a term of 1 year in general;
- these customers shall collect the side products at our production base and are responsible for the processing, transportation and storage of the side products;
- if necessary, we may provide the premises and facilities to these customers for the processing of the side products on the condition that these customers will maintain the hygiene of the premises and facilities and will be responsible for the relevant maintenance fees; and
- the price of the side products are determined monthly with reference to the prevailing market price of the side products; the customers are required to settle the payment within a certain period of time upon receiving the monthly invoice from us.

No minimum purchase requirement was provided under such agreement relating to the sale of side products.

Customers

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, we had a total of 155, 237, 242 and 168 customers respectively, of which, 20, 19, 30 and 23 respectively were operators of the Cooperative Retail Shops. In calculating the above number of customers, sales to different branches/brands of the same customer are considered as selling to a single customer. The table below sets out the movements of our total number of customers during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2010	2011	2012	2013
New customers during the year/period	N.A.	103	87	4
Cessation during the year/period	N.A.	21	82	78
Total number of customer for the year/period	155	237	242	168

Our customer base comprise recurrent customers and one-off customers and different types of customers generally have different purchase patterns depending on the types of pork products purchased from our Group as detailed below:

- *Fresh pork, chilled pork and side products*: major markets are Changde and nearby cities in Hunan Province and these products are mainly sold to operators of Cooperative Retail Shops, wet market pork traders, supermarkets as well as pork products traders on a daily basis

- *Frozen pork products*: major markets are cities outside Hunan Province and these products are mainly sold to pork products traders and food processing factories on order-by-order basis and their purchase frequency ranges from one to seven order(s) per month

- *Slaughtering services and porkers*: occasionally provide slaughtering services to individual slaughtermen and sold porkers to individual customers during the Track Record Period

During the Track Record Period, customers that ceased business relationship with us mainly included customers for slaughtering services, porkers and pork products traders of frozen pork products who did not make purchase from our Group on recurring basis. Further, given our constraints in slaughtering capacity, we also prioritise the supply of our pork products to our major customers to maintain their stable business relationship.

The table below sets out the breakdown of our revenue by different types of customers during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Cooperative Retail Shop operators	126,976	16.8	201,926	18.8	216,585	20.7	159,143	20.2	215,456	26.8
Pork product traders	406,645	53.9	563,981	52.5	544,045	51.9	414,945	52.6	397,983	49.5
Wet market pork traders	138,868	18.4	178,575	16.6	150,729	14.4	111,856	14.2	132,960	16.5
Food processing factories	66,000	8.8	94,294	8.8	106,747	10.2	80,894	10.2	44,441	5.5
Supermarkets	15,613	2.1	30,948	2.9	29,184	2.8	22,368	2.8	11,315	1.4
Others (Note)	66	0.0	4,168	0.4	330	0.0	314	0.0	1,746	0.3
	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

Note: Others include customers of sale of porkers and slaughtering services

During the Track Record Period, our sales to our five largest customers represented approximately 20.9%, 21.2%, 16.3% and 19.0% of our total revenue respectively while our sales to the largest customer represented approximately 6.1%, 6.2%, 3.6% and 4.8% of our total revenue respectively. Our five largest customers for the Track Record Period had business relationship with our Group ranging from around one to six years as at the Latest Practicable Date.

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company (immediately following the completion of the Global Offering and taking no account of any Shares which may be taken up under the Over-allotment Option) had any interest in any of the five largest customers of our Group during the Track Record Period.

The table below sets out the breakdown of our revenue from external customers by geographical locations in the PRC during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Hunan Province	615,669	81.6	917,466	85.4	880,865	84.1	666,499	84.4	691,224	86.0
Guangdong Province	110,189	14.6	113,339	10.6	117,394	11.2	82,334	10.4	79,321	9.9
Beijing City	13,205	1.8	16,428	1.5	15,021	1.4	12,092	1.5	16,257	2.0
Others	15,105	2.0	26,659	2.5	34,340	3.3	28,595	3.7	17,099	2.1
	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

Pricing of our pork products

Our Group's pork and processed pork products are not subject to any price control or regulations by the PRC governmental authorities. We determine the price of our pork with reference to the prevailing market price of live hogs plus the preferred profit margin taken into account the market wholesale price of pork products.

Credit policy

We require our customers to settle payment according to the purchase orders they placed with us. We usually offer a credit period within 80 days to our customers. We may offer longer credit terms to some of our customers who have good credit record and strong sales performance. We would demand payment from our customers for overdue payment. Our sales representatives would contact the customers on a monthly basis to confirm the outstanding amount.

PURCHASES AND SUPPLIERS

During the Track Record Period, we made the following principal purchases from third party suppliers for our operation:

- finishers of 100 kg–110 kg for production of pork products;
- hog feed for our hog breeding and farming operation; and
- breeder hogs for breeding in our Breeding Farms.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our raw materials cost, principally consists of cost of hogs purchased and cost of hog feed, accounted for approximately 96.2%, 96.8%, 96.5% and 96.4% of our total cost of sales respectively.

We adopted a standard agreement to be entered into with our hog supplies for purchase of hogs. Below sets out the principal terms of these agreements:

- for a term of 1 year in general;
- set out an indicative number of hogs (ranging from 800 to 40,000 hogs for indicative purpose only) to be purchased during the term of the agreement, the exact number of hogs to be purchased would be determined by our Group through placing individual orders;
- the supplier shall provide us with hogs with designated requirements, including types (well cross-bred swine and local-crossbred swine) and weights of hogs (80 to 120 kg), and with necessary certificates from relevant authorities;
- the costs of the hogs are based on the grading and the weight of the hogs after being slaughtered and the prevailing market price on the day of slaughtering, and shall be paid to the supplier by cash or bank transfer within 15 days to 60 days after the day of slaughtering;
- purchase orders shall be made with the supplier two days in advance indicating the number of hogs and time for delivery;
- in the event that the hogs supplied are found to have fed with prohibited drugs such as brown meat essence, we shall have the right to terminate the agreement and the suppliers are liable for all losses arising therefrom;
- in the event that we refuse to accept delivery of the hogs without proper reasons for a particular confirmed order, we shall be obliged to pay to the supplier an amount equal to 5% of the purchase amount, together with any transportation costs incurred; and
- in the event of that the supplier provides 10% less the number of hogs ordered by us for a particular order, the supplier shall provide the outstanding number of hogs, otherwise, the supplier shall pay to us an amount equal to 5% of the purchase amount which the supplier has failed to supply for such order.

Our PRC Legal Advisers advised that the term of the agreement entered into with our hog suppliers are legally binding under the PRC laws, and that in the event we fail to purchase the indicative number of hogs under the standard agreement, we will not be subject to any penalty pursuant to the terms of the standard agreement.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our Group had purchased from 356, 357, 365 and 287 hog suppliers respectively who are Independent Third Parties. Since our Group's major hog suppliers are individual hog traders who procure hogs from various hog farms instead of engaging in hog farming, our PRC Legal Advisers have advised that there is no requisite permit for operating the business of hogs trading, as long as the hogs traded are procured from farms which have complied with all applicable regulations or laws. Also, as confirmed by our Directors, our Group would only admit hogs with Animal Epidemic Prevention Certificate (動物檢疫合格證明), which is issued for hogs whose conditions are in compliance with the PRC laws and regulations and can be traded.

Our PRC Legal Advisers further confirm that, as long as our Group only sources hogs with relevant Animal Epidemic Prevention Certificate (動物檢疫合格證明), the potential legal liabilities to our Group caused by the purchase of hogs from unqualified sources would be very remote.

We maintain multiple suppliers for our purchases in order to avoid heavy reliance on any single supplier. During the Track Record Period, we did not experience any material interruptions to or material decline in the quality or amount of our purchases.

During the Track Record Period, our Group's five largest suppliers were hog traders who are individuals and Independent Third Parties. Our five largest suppliers for the Track Record Period had business relationship with our Group ranging from two to six years as at the Latest Practicable Date. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our purchases from the five largest suppliers represented approximately 18.5%, 25.6%, 22.5% and 24.2% of our total purchases respectively while our purchases from the largest supplier represented approximately 4.0%, 5.4%, 4.7% and 5.1% of our total purchases respectively.

During the Track Record Period, all of our Group's purchases were settled in RMB and were settled by bank transfers or cheques. Our hog suppliers offered our Group with credit periods ranging from 15 to 60 days after the day of slaughtering, and our other suppliers (which include suppliers of hog feed, ancillary materials and other supplies) offered our Group with credit periods within 60 days.

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company (immediately following the completion of the Global Offering and taking no account of any Shares which may be taken up under the Over-allotment Option) had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Inventory control

The inventories of our Group mainly consist of chilled and frozen pork, hog feed and other consumables. As at 30 September 2013, our inventories amounted to approximately RMB2.8 million. Chilled and frozen pork are stored at different temperatures. Our chilled products are pre-cooled to temperatures of below 4°C before delivery to maintain its freshness. Chilled pork can normally be kept for five to seven days before consumption. For frozen pork which are kept at a temperature of -18°C, the preservation period will be up to 12 months.

We carry out inventory checks from time to time. We adopt stringent inventory control and maintained low level of inventory since our inventory is perishable in nature, and periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Our sales department is responsible for collecting and processing customers' orders and our purchase department will compile purchase plans with reference to such sales orders. We manage our inventory levels based principally on the anticipated demand and the prevailing market price of frozen pork product which could be stored for up to 12 months.

QUALITY CONTROL

We adhere to a strict internal system of quality control in respect of our entire breeding, farming, slaughtering and production process. We have developed a corporate culture focusing on ensuring high quality, and have obtained the ISO9001 and ISO22000 certifications for our quality management and food safety management system respectively.

Quality control system and procedures

Our quality control procedures are performed at various stages of our operation process.

Breeding and farming of live hogs

Our quality control procedures begin at the breeding stage. We have our own technicians responsible for checking the health of the hogs, the hygiene of the sheds and conduct injections for the hogs when necessary. We have engaged a third party supplier to provide us with vaccines for our hogs.

Other than vaccination, we have also put in place measures to protect the health of our employees and our hogs, such as strict procedures for entering the Breeding Farms and facilities, quarantine and treatment of diseased and dead hogs and mandatory disease control training for staff.

In addition, the local Commission of Poultry, Pastoral, Veterinary Aquatic Products* (畜牧獸醫水產局) conducts check on the health of our hogs prior to their admission to our slaughterhouses. During the Track Record Period and up to the Latest Practicable Date, we had not been found to have been in non-compliance with the applicable PRC standards in respect of our hogs and hog feed in such inspection.

Selection of Fattening Farms

In order to ensure our piglets sent to the Fattening Farms will remain in good quality, we have strict requirements for selection of Fattening Farms, such as the location and area of their hog farms and the distance between their farms and our production facilities. We will assess as to whether the hog farm of the applicant is suitable for hog farming, such as water supply and accessibility of the hog farm concerned.

In order to ensure the quality of the hogs farmed by the Fattening Farms, we provide hog feed, health medicine and vaccines, technical assistance and guidance. We conduct random visits and inspections to the Fattening Farms. Each of the Fattening Farms has obtained the necessary Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) for hog farming. As advised by our PRC Legal Advisers, during the Track Record Period, the operation of each of the Fattening Farms had complied with the relevant laws, rules and regulations relating to hog farming and environmental protection.

Selection of hog suppliers

To ensure that we have stable supply of hogs, we have various requirements for selecting hog suppliers, such as quality of their hogs, quality control capability, financial and operation management capability. Generally, we would conduct assessment on these hog suppliers before entering into hog purchase agreement with these hog suppliers.

Pre-slaughter test

We closely monitor the condition of hogs during the pre-slaughter rest to ensure that the hogs are of good condition for slaughtering. Government officials on site conduct test against brown meat essence on at least 5% of live hogs of each lot being admitted. If we discover any hogs which are contaminated by brown meat essence or carry disease, they are required to be destroyed pursuant to applicable regulatory requirement in the PRC.

Slaughtering and carving

We have put in place strict inspection procedures for slaughtering and carving. Only hogs with the Animal Health Inspection Qualification Certificate* (動物檢疫合格證明) and ear tag issued by government officials will be admitted into our slaughterhouse. While hogs are waiting to be slaughtered, our inspection team will observe the condition of the hogs regularly so as to ensure that the hogs are suitable for slaughtering. During the slaughtering process, our team will pay attention to the quality and condition of the meat. Officers of the local Commission of Poultry, Pastoral, Veterinary, Aquatic Products* (畜牧獸醫水產局) are stationed in our slaughterhouses to conduct regular inspection on the procedure of slaughtering and carving.

Storage

We have built temperature-controlled warehouses for our chilled and frozen pork products which enable our products to be stored at the required temperatures. Our chilled pork products are stored at temperatures of 0°C to 4°C to maintain freshness and prevent growth of bacteria. Our frozen pork are stored at temperatures of around -18°C to prevent the pork from decaying.

Transportation

Our products are stored and transported at optimal temperatures and in a hygienic environment. We deliver fresh pork to the Cooperative Retail Shops and supermarkets while other customers of fresh pork and side products collect the products themselves. We deliver our chilled and frozen pork ourselves, using our fleet of specially equipped refrigerated trucks. We also outsource some of our transportation to Independent Third Party logistics providers. We typically require our logistics providers to follow certain storage and transportation procedures in order to ensure our products are delivered to the customer in the proper condition. Any damage or loss arising from the delivery of products are borne by the Independent Third Party logistics providers.

Overall hygiene standards control

To ensure high standards of hygiene of our production, our quality control team conducts checks and inspections of our production facilities from time to time to ensure compliance with our internal hygiene requirements. Areas of inspection relating to hygiene control including checking: (i) cleansing and sterilisation process of machinery; (ii) equipment and tools in our production premises; (iii) our pest control and staff clothing; (iv) personal hygiene of our staff; and (v) vehicles used for delivery of our products.

We believe that the segregation of our production premises can minimise cross-infection or contamination. We have also imposed strict entry control to our Breeding Farms. Our staff are required to shower, change and disinfect themselves before entering the Breeding Farms.

Disease control

We believe our strict control on hygiene standards as mentioned above will minimise the risk of the occurrence of diseases in our Breeding Farms and Fattening Farms. We have adopted internal control procedures which provide controlled access to the Breeding Farms and Fattening Farms, and all entrants are required to be sterilised prior to entry. We have also set up an internal control procedure for ad hoc occurrence of events including diseases. In compliance with our internal control procedures, we quarantine the diseased hogs in separate sties, and access to these diseased hogs will be restricted. Where there is substantial risk of infection, we will carry out thorough disinfection and immunisation in our Breeding Farms to prevent the spread of the disease.

There were outbreaks of animal diseases in the PRC during the Track Record Period, such as foot and mouth disease in 2010 which mainly affected the northern part of the PRC, and porcine circovirus identified in some of the dead hogs found in Huangpu River in the PRC in early 2013. Save for the swine disease in June 2011 causing death of one hog at one of our Contract Farms, to the best knowledge of our Directors, there has been no outbreak of such diseases in Hunan Province as well as in Changde since our Group's establishment. Our Directors further confirm that there had been no significant impact on our Group's business as a result of the outbreak of animal diseases in the PRC during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that our Group has imposed strict control in the product quality since its establishment and has well established its reputation in selling safe products.

A major scandal of illegal use of clenbuterol has affected the PRC's pork industry when traces of the substance were found in the pork sold by one of the PRC's largest pork production companies in early 2011. Clenbuterol is a class of steroid and additive that stimulates muscle development and burns fat in hogs to produce leaner pork. However, consumption of pork tainted by clenbuterol will cause health problems to consumers. Sales volume of pork shrunk dramatically in the PRC during the week following the scandal due to the lack of consumers' confidence in pork. However, our business operation and financial position have not been affected by the scandal of illegal use of clenbuterol in the PRC.

In December 2010, tested values of sorbic acid and inorganic arsenic in two samples of our processed pork products were reported to have exceeded the relevant standards under the Hygienic Standards for Cured Meat Products* (腌臘肉製品衛生標準) (GB2730–2005) and Hygienic Standards for Uses of Food Additives* (食品添加劑使用衛生標準) (GB2760–2007) in a random inspection test and we made an appeal to the Quality and Technology Supervisory Commission of Changde City* (常德市質量技術監督局) on the test results. According to a confirmation issued by the Quality and Technology Supervisory Commission of Changde City, (i) our pork product samples had passed the required food quality standards on re-test; (ii) there had not been any other incident that our pork products were found with tested values of food additive exceeding the PRC statutory limits or other product quality problem; and (iii) as the Quality and Technology Supervisory Commission of Changde City did not find the food quality standards of our pork products unsatisfactory, no administrative penalty had been imposed on our Group in relation to the above incident. As such, our Directors believe that, and our PRC Legal Advisers advised that, our pork products had complied with the Food Safety Law of the PRC* (中華人民共和國食品安全法) and the Agricultural Product Quality and Safety Law of the PRC* (中華人民共和國農產品質量安全法) during the Track Record Period.

PRODUCT LIABILITY

Our Group adopts a no-recourse sales policy, subject to such products satisfy the required standard under the applicable rules. Once our products have been sold and delivered to our customers, all risks and liabilities in connection with such pork products are transferred to our customers, who/which shall not be entitled to any recourse from our Group.

According to the Product Quality Law of the PRC* (中華人民共和國產品質量法) (as amended in 2000) and the Law of the PRC on the Protection of the Rights and Interests of Consumers* (中華人民共和國消費者權益保護法), if products purchased by consumers are of sub-standard quality but not defective, the retailers will be responsible for the repair, exchange, or refund of the purchase price of the sub-standard products and for the compensation to the consumers for their losses (if any). However, in the event that the manufacturers are held liable for the sub-standard products, the retailers are entitled to seek reimbursement from the manufacturers for the compensation paid by the retailers to the consumers. If the products are defective and cause any personal injuries or property damage, the consumer may claim compensation from the manufacturer, distributor or retailer. Retailers or distributors who have already compensated the consumers are entitled to claim reimbursement from the relevant manufacturers.

As at the Latest Practicable Date, we have not maintained any product liability insurance policy in the PRC. To the best knowledge and belief of our Directors, it is in line with the industry practice. During the Track Record Period, we did not encounter any product liability claim from the end-customers of our pork products.

During the Track Record Period, save as disclosed, we obtained all the necessary licences and permits required for our business operations and we did not encounter any difficulties in the renewal of the same. Further, we did not receive any product liability claims from our customers or the consumers during the Track Record Period. In light of the aforesaid, our Directors believe that our pork products sold during the Track Record Period have complied with the Food Safety Law of the PRC* (中華人民共和國食品安全法) and the Law on Quality and Safety of Agricultural Products of the PRC* (中華人民共和國農產品質量安全法) which are applicable to our pork products. Our PRC Legal Advisers confirm that our pork products sold during the Track Record Period had complied with the applicable laws and regulations in the PRC.

In order to minimise the possibility of any product liability claims from any of our customers, we have implemented the quality assurance and internal control measures, including, inter alia, hygiene requirements on our Breeding Farms and Fattening Farms, requirements on our Independent Third Party suppliers to obtain and produce to us the relevant licences and permits, details of which are set out in the paragraphs headed “Breeding” and “Quality control” of this section respectively.

RESEARCH AND DEVELOPMENT

Our research and development team focuses on the research of hog breeding and farming technique and product development. Our Group has developed and registered eight patents relating to breeding and farming techniques and our products production methods.

As at the Latest Practicable Date, our internal research and development team comprises 7 staff, of which, one of them holds professional qualification in relation to meat inspection and has been involved in the development of our Group’s processed pork products since 2007. Four of them completed tertiary education with more than three years of experience in the development of processed pork products and hog breeding technology.

We have appointed Dr. Yin (Note 1) at Institute of Subtropical Agriculture, an entity set up by the PRC government dedicated to the advancement of science, to provide advisory services on health breeding and the composition of hog feed on a part time basis without any remuneration.

On 26 July 2011, we entered into a cooperation agreement with the Institute of Subtropical Agriculture to establish Joint Laboratory for Animal Ecology, Nutrition and Health* (動物生態營養與健康養殖聯合實驗室) and Postgraduate Workstation for Livestock Breeding Center* (畜禽健康養殖研究中心博士工作站) for conducting research and development. Pursuant to the terms of the cooperation agreement, the funding of such joint laboratory and postgraduate workstation are shared among our Group and the Institute of Subtropical Agriculture equally and the funding that we shall contribute shall be not less than RMB250,000 per year. As at the Latest Practicable Date, our Group had not made any contribution as the joint laboratory and the postgraduate workstation are not yet in operation. The intellectual property rights in the research results in respect of our research with Institute of Subtropical Agriculture shall be jointly owned by our Group and the Institute of Subtropical Agriculture. In the event that the intellectual property rights in the research results are agreed to be used by third parties, the income for such use shall be shared between our Group and the Institute of Subtropical Agriculture equally. As at the Latest Practicable Date, there was no major achievement resulting from the joint research.

We are also in cooperation with various tertiary institutions in Hunan Province whereby we provide internships and opportunities to their students to understand different aspects of our operation and in return, these institutions provide induction to our staff for industry knowledge and techniques. During the Track Record Period, our Group did not pay any fee to these three tertiary institutions.

We have also entered into a cooperation agreement with Professor Wang Jingren (Note 2) of Hunan University of Arts and Science in April 2013 in developing areas including hog breeding, quality inspection, research and development of pork products. The intellectual property rights in the research results shall be jointly owned by both parties pursuant to the cooperation agreement. A basic fee of RMB2,500 per month shall be paid by our Group to Professor Wang. As at the Latest Practicable Date, there was no major achievement resulting from the cooperation.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, total expenses incurred in relation to research and development activities amounted to approximately RMB0.4 million, RMB0.5 million, RMB0.4 million and RMB0.4 million respectively.

Notes:

1. *Dr. Yin obtained his doctoral degree from The Queen's University of Belfast, the United Kingdom, and was awarded a two year postdoctoral fellowship by the University of Manitoba, Canada, in 1997, specialising in animal nutrition. Dr. Yin has served as a researcher in various institutions since 1978, such as, the Institute of Modern Agriculture of Changsha of the Chinese Academy of Sciences* (中國科學院長沙農業現代化研究所) and Department of Animal and Poultry of Guelph University of Canada. Dr. Yin was the chief researcher of the Institute of Subtropical Agriculture specialising in animal breeding and feed from 2007 to 2010 and is currently the supervisor of the Health Breeding Research Centre (健康養殖研究中心) of the Institute of Subtropical Agriculture and the chief researcher of the Institute of Subtropical Agriculture specialising in animal breeding and feed. Dr. Yin has published numerous papers and has eight patents registered as the inventor. He has been awarded the Second Tier of the Technology Advancement Award* (科技進步獎二等獎) awarded by Chinese Academy of Sciences (中國科學院) and the First Tier of the Province Technology Encouragement Award* (部級科學技術進步一等獎) awarded by the Ministry of Agriculture (農業部).*

2. *Professor Wang Jingren is currently a professor at Hunan University of Arts and Science (湖南文理學院) specialising in husbandry. Professor Wang is a member of the committee on education of veterinary medicine to tertiary institutions of the Ministry of Education of the PRC* (高等學校動物醫學類專業教學指導委員會). Professor Wang has conducted various researches on hog breeding and farming and was the collaboration author of certain publications related to hog breeding and hog diseases prevention and practical methods of hog farming.*

STAFF TRAINING AND DEVELOPMENT

We provide internal training programs to our staff. Our training programs are designed to cater for the needs of our four major categories of staff, namely, (i) mid to high level management technicians, (ii) general management technicians, (iii) operational staff and (iv) examination, inspection and quality control staff. Our programs aim at reinforcing and updating their knowledge of the relevant laws and regulations in respect of their nature of work, and polishing their technical skills to our production processes. New recruits are required to attend training courses to ensure that they are equipped with the necessary skills to perform their duties. During the Track Record Period, the staff training and development expenditure incurred by our Group was approximately RMB4,000, RMB1,000, RMB3,000 and RMB10,000 respectively.

LICENCES AND PERMITS

The following table sets out a summary of all the requisite licences and permits material to our business and operation:

Licences/Permits	Issued by	Date of Issue	Expiry Date
Certificate of Designated Location for Hog Slaughtering* (生豬定點屠宰證)	People's Government of Changde City* (常德市人民政府)	2 February 2009	— (Note 4)
National Industrial Products Production Permit* (全國工業產品生產許可證)	Quality and Technology Supervisory Commission of Hunan Province* (湖南省質量技術監督局)	24 June 2013	1 March 2016
Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) (Note 1)	Commission of Poultry, Pastoral, Veterinary, Aquatic Products of Wuling District of Changde City* (常德市武陵區畜牧獸醫水產局)	18 January 2011	— (Note 4)
Animal Epidemic Prevention Qualification Certificate* (動物防疫條件合格證) (Note 2)	Commission of Poultry, Pastoral, Veterinary, Aquatic Products of Dingcheng District of Changde City* (常德市鼎城區畜牧獸醫水產局)	21 September 2011	— (Note 4)
Hunan Province Pollutant Emission Permit* (湖南省排放污染物許可證) (Note 2)	Environmental Protection Commission of Dingcheng District, Changde City* (常德市鼎城區環境保護局)	20 January 2014	20 January 2015
Pollutant Emission Permit* (排放污染物許可證) (Note 3)	Environmental Protection Commission of Changde City* (常德市環境保護局)	25 March 2013	25 March 2014
Service Fee Registration Certificate of Hunan Province* (湖南省服務價格登記證)	Price Control Commission of Wuling District of Changde City* (常德市武陵區物價局)	4 January 2012	January 2015

Notes:

1. *This licence is required by our slaughtering and food processing operations.*
2. *This licence is required by our Health Breeding Farm.*
3. *This licence is required by our slaughtering operations.*
4. *There is no expiry date for these licences pursuant to the relevant rules and regulations. As advised by our PRC Legal Advisers, such licences will remain valid unless there is any change to the relevant rules and regulations or the relevant government authorities initiate renewal of these licences.*

As advised by our PRC Legal Advisers, save as disclosed under the paragraph headed "Regulatory compliance" in this section, during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all the necessary approvals, permits, consents, licences and registrations required for our business and operations and all of them were in force, and has complied with all relevant laws and regulations applicable to our business. The Sponsor and its PRC legal advisers, Zhong Lun Law Firm, have performed independent verification, including inspection of records maintained by the competent authorities, to ascertain the validity and accuracy of the licences, rights and permits material to our business and operations. We will renew our licences and permits before their respective expiry dates. Our Group had not experienced any refusal of renewal of the licences necessary for our operations during the Track Record Period.

AWARDS AND RECOGNITION

The following table sets out a summary of the significant awards and recognition we received:

Year of grant	Awards/Certificates	Issued by
November 2008	Gold Medal of the 10th Agricultural Fair of Hunan Province the PRC* (中國湖南第十屆(國際)農博會金獎)	Organising Committee of the 10th Agricultural Fair of Hunan Province, the PRC* (中國湖南第十屆(國際)農博會組委会)
March 2009	Consumers Trustworthy Corporation* (消費者信得過單位)	Consumer Council of Changde* (常德市消費者委員會)
September 2009	First Deputy President of Meat Association of Hunan Province* (湖南省肉類協會第一屆副會長單位)	Meat Association of Hunan Province* (湖南省肉類協會)
March 2010	Advanced Corporation in Protection of Consumers' Rights of Hunan Province 2009* (2009年度湖南省消費維權先進單位)	Consumer's Association of Hunan Province* (湖南省消費者委員會)
June 2010	Leading Corporation of Honest Operation* (誠信經營示範企業)	Meat Association of Hunan Province* (湖南省肉類協會)
June 2010	Grade A Quality Assurance Enterprise of Hunan Province* (June 2010–2012) (湖南省質量信用A級企業) (2010年6月–2012年6月)	Committee of Appraisal of Quality and Reliance of Enterprises of Hunan Province* (湖南省企業質量信用等級評定委員會)
January 2011	ISO9001:2008–Quality Management System Certificate *(Note)* (ISO9001:2008 — 質量管理體系認證證書)	Beijing Continental Hengtong Certification Co., Ltd (北京五洲恒通認證有限公司)
January 2011	ISO22000:2005–Certificate of Food Safety Management System Certification *(Note)* (ISO22000:2005 — 食品安全管理體系認證證書)	Beijing Continental Hengtong Certification Co., Ltd (北京五洲恒通認證有限公司)
November 2011	Leading Enterprise of Industrialisation of Agriculture in Hunan Province* (November 2011–November 2013) (湖南省農業產業化龍頭企業(2011年11月–2013年11月))	Office of Agricultural Industry of Hunan Province* (湖南省農業產業化辦公室)

Year of grant	Awards/Certificates	Issued by
November 2011	Model Corporation of Food Safety 2011* (November 2011–November 2012) (2011年度食品安全示範單位(2011年11月–2012年11月))	Committee of Food Safety Annual Meeting of the PRC* (中國食品安全年會組委會)
December 2011	Well-known Trademark of Hunan Province* (湖南省著名商標)	Administration for Industry and Commerce of Hunan Province* (湖南省工商行政管理局)
March 2012	Advanced Corporation in Protection of Consumers' Rights of Hunan Province 2010–2011* (2010–2011年度湖南省保護消費者合法權益先進單位)	Consumers' Association of Hunan Province* (湖南省消費者委員會)
June 2012	Grade A Quality Assurance Enterprise of Hunan Province* (June 2012–June 2014) (湖南省質量信用A級企業(2012年6月–2014年6月))	Committee of Appraisal of Quality and Reliance of Enterprises of Hunan Province* (湖南省企業質量信用等級評定委員會)
December 2012	Baijia Trustworthy Corporate Customer of Banking Industry of Changde 2011* (常德市銀行業2011年度百佳誠信企業客戶)	Banking Industry Association of Changde (常德市銀行業協會)
December 2012	Model Standardised Venue for Hog Farming* (2012–2014) (生豬標準化示範場) (2012年–2014年)	Commission of Poultry, Pastoral, Aquatic Products of Hunan Province* (湖南省畜牧水產局)
December 2012	Well-known Trademark in the PRC* (中國馳名商標)	Trademark Office of the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局商標局)
March 2013	Advanced Corporation in Environmental Protection* (環保先進企業)	People's Government of Changde City (常德市人民政府)

Note: Our ISO9001 and ISO22000 certifications expired in January 2014 and we are in the course of renewing these certifications.

SAFETY AND ENVIRONMENTAL PROTECTION

Workplace and production safety and health care

Pursuant to the Labour Law of the PRC* (中華人民共和國勞動法) ("**PRC Labour Law**") promulgated on 5 July 1994, employers are required to establish and improve their labour safety and health care system, to strictly implement the labour safety and health care regulations, to carry out labour safety and health care education among their workers and to prevent accidents during work and reduce occupational hazards. As advised by our PRC Legal Advisers, we have complied with the PRC Labour Law and other relevant applicable laws and regulations in relation to labour management.

Pursuant to the Work Safety Law of the PRC* (中華人民共和國安全生產法) promulgated on 29 June 2002 and effective on 1 November 2002, enterprises operating production activities within the PRC are required to observe laws and regulations concerning production safety, strengthen their administration of, establish and improve a system of responsibility for, and improve facility conditions to ensure production safety.

We did not commit any event of non-compliance in relation to health and safety matters during the Track Record Period. As advised by our PRC Legal Advisers, we have been in compliance with the relevant PRC law, rules and regulations in relation to health and safety matters during the Track Record Period and as at the Latest Practicable Date.

Up to the Latest Practicable Date, we had not been adjudged by the relevant PRC governmental authority for any non-compliance with any production safety requirements under the PRC laws and regulations or received any complaints from our customers or the public in relation to the production safety of our Group.

Our Group's internal policy has set out stringent production safety procedures in relation to, inter alia, proper operation and maintenance of machinery and equipment requiring higher techniques, handling of substances with harmful constituents, hygiene and sterile procedures. Our Group would also arrange regular staff trainings on production safety and proper ways to handle emergency and accidents. Regular checks by the management of each shift would also be carried out to ensure proper implementation of the production safety procedures. Staff who fails to comply with our Group's production safety guidelines would be penalised. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, our production safety procedures had been implemented properly and no staff had been penalised due to the failure of compliance of our Group's production safety guidelines.

Our Directors are also of the view that the production safety measures currently adopted are in line with the market practice of the industries in which our Group is engaged in.

Environmental protection

During the breeding, farming and slaughtering of hogs and processing of pork products, we may produce sewage, solid waste and waste gas and we are subject to the PRC national and local environmental laws and regulations, including but not limited to Environmental Protection Law of the PRC* (中華人民共和國環境保護法), The Law on the Prevention and Treatment of Water Pollution of the PRC* (中華人民共和國水污染防治法) and The Law for the Prevention and Treatment of Air Pollution of the PRC* (中華人民共和國空氣污染防治法) in respect of operations of our Health Breeding Farm and Wuling

Slaughterhouse. In respect of the Contract Farms engaged by us previously, as advised by our PRC Legal Advisers, the owners of the Contract Farms were responsible for the compliance of the relevant environmental laws and regulations in respect of the construction and maintenance of their farms, while our Group was responsible for the compliance of the relevant environmental laws and regulations in respect of the daily operation of the Contract Farms; and for the Fattening Farms, the Fattening Farmers are responsible for the compliance of the relevant environmental laws and regulations in respect of the construction, maintenance and operation of their farms.

We have installed waste treatment facilities at our Health Breeding Farm and Wuling Slaughterhouse. We have adopted internal control procedures in relation to waste treatment at our Health Breeding Farm and Wuling Slaughterhouse, such as the processing of hog faeces into fertilisers and the biological treatment of sewage.

We did not obtain the relevant Pollutant Emission Permit* (排放污染物許可證) for our Health Breeding Farm until 9 February 2012. Pursuant to a confirmation from the Environmental Protection Commission of Dingcheng District* (鼎城區環境保護局) in June 2013 that the omission of obtaining the relevant Pollutant Emission Permit* (排放污染物許可證) was not caused by our inadvertence and there shall be no administrative penalty imposed on us from the Environmental Protection Commission of Dingcheng District* (鼎城區環境保護局). We obtained the relevant Pollutant Emission Permit* (排放污染物許可證) in February 2012 and renewed the permit in February 2013.

We did not obtain the final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of the construction of our Health Breeding Farm before the commencement of its operation until 27 August 2013. Pursuant to the Management Regulations of Environmental Protection of Construction Projects* (建設項目環境保護管理條例), the operation of our Health Breeding Farm may be suspended and a fine of not exceeding RMB100,000 may be imposed. For further details, please refer to the paragraph headed “Non-compliance incidents” in this section. On the basis that (i) we have obtained the final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of the construction of our Health Breeding Farm which, as advised by our PRC Legal Advisers, is issued by the competent authority and will not be revoked by other government authority; (ii) the environmental facilities and operation of our Health Breeding Farm had been approved by the Environmental Protection Commission of Changde* (常德市環境保護局); (iii) our Health Breeding Farm had obtained the relevant Pollutant Emission Permit* (排放污染物許可證); (iv) we had been recognised by the People’s Government of Changde as an Advanced Corporation in Environmental Protection* (環保先進企業) in March 2013, and had been awarded RMB20,000 for being an advanced corporation in livestock breeding and farming and environmental protection in March 2013, our PRC Legal Advisers are of the view that the pollutant emission of our Health Breeding Farm is in compliance with the required pollutant emission standards as required by the relevant laws and local authorities and it is unlikely that fine or penalty will be imposed on our Group for not having obtained such final inspection approval prior to 27 August 2013.

As at the Latest Practicable Date, save as disclosed, we had not encountered any non-compliance issue in respect of any applicable laws and regulations on environmental protection or any complaints from our customers or the public in respect of environmental protection issues. Each of our Health Breeding Farm, Contract Farms, Fattening Farms and Wuling Slaughterhouse has obtained a confirmation from the relevant environmental protection bureau confirming that their respective operations (hog farming or slaughtering as the case may be) were in compliance with the relevant PRC environmental protection rules and regulations during the Track Record Period. Our PRC Legal Advisers advised that these local environmental protection bureaus have the authority and are competent to issue the relevant confirmations. Our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, our business operation had been in compliance with the applicable environmental protection laws and regulations in the PRC. We were also awarded as an Advanced Cooperation in Environmental Protection* (環保先進企業) in March 2013.

For further details regarding applicable PRC laws and regulations, please refer to the section headed "Regulatory overview" in this prospectus.

During the Track Record Period, our costs for compliance with applicable environmental rules and regulations were approximately RMB2,000, RMB139,000, RMB8,000 and RMB11,000 respectively. Our Directors anticipate that the amount of expenses that we may incur in the near future for environment compliance matters will be approximately RMB11,000 for the year ended 31 December 2013.

Animal welfare

Although as confirmed by our PRC Legal Advisers, there are no prevailing PRC laws and regulations on animal welfare applicable to our business and operations, we seek to protect the physical and psychological well-being of our hogs by adoption of internal control procedures during the hog breeding, hog farming and hog slaughtering processes which our Directors believe could help ensure our product quality. In particular, we ensure the well-being of our hogs in the following aspects:

- *Hog feed:* To ensure adequate nourishment received by our hogs and to promote their general health, appropriate levels of different feed containing mixed nutrients which are essential to their growth are selected and are fed to the hogs raised in our Breeding Farms and the Fattening Farms in accordance with the developmental stage of hogs. In addition, hog feed are being kept by us and the Fattening Farmers in clean and dry place so as to preserve the quality of the feed to be given to hogs.

- *Living conditions:* We have adopted internal standards to provide clean and comfortable living environment for our hogs such as maintaining appropriate density and different temperature and humidity level of our sheds appropriate to our hogs in various stages of their development. In particular:

  — Each of our boars are kept at separate sheds to prevent any fighting between the boars, and each of our pregnant breeder sows will be transferred to separate delivery sheds when expecting delivery. Delivery sheds are required to be thoroughly cleansed and sterilised for delivery.

  — Newborn piglets are kept in incubators with temperature of between 20 to 25 degrees Celsius in order to maintain their body temperature, and after that, will be kept with their mothers for nursing during the first four weeks.

  — After the first four weeks after born, hogs will be transferred to different sheds in accordance with various stages of their development. We adopt internal requirements which relate to the different size of the sheds and the minimum living area for each hog in accordance with their age.

— We also adopt internal policy to control the temperature of the living environment of the hogs. Electric fans will be used to lower the room temperature within the sheds in the event that the room temperature is too high (i.e. higher than 30 degrees Celcius), and heaters will be used to increase the room temperature of the sheds in the event that the room temperature is too low (i.e. lower than 20 degrees Celcius).

— Sheds are required to be cleansed and sanitised on a regular basis to ensure a desirable living environment.

- *General health:* To promote general health of our hogs:

— We actively monitor the health condition of our hogs, and they are dewormed and are given appropriate medicine and vaccination based on their age and health condition in accordance with our internal guidelines.

— Our farming process adopts a regular daily routine where hogs shall be regularly fed with consistent portions, and sleep, eat and discharge at specific locations.

— We adopt a stringent disease control system and strict hygienic standard at our Health Breeding Farms and Fattening Farms. For further details, please refer to the paragraph headed "Quality control" in this section.

- *Slaughtering:*

— We prohibit the use of violence, such as hitting or kicking during herding of hogs when the hogs are being transferred between sheds, farms or to the slaughterhouse.

— In order to minimise unnecessary pain and suffering, the bloodletting process should not exceed 30 seconds.

INSURANCE

We have maintained integrated insurance coverage on our properties, fixed assets and inventories against property damage since December 2011. We have also maintained social security insurance in accordance with the relevant laws and regulations of the PRC since October 2011.

PROPERTIES

Owned properties

Our Wuling Slaughterhouse

We have obtained the land use rights through public auction in respect of the land in Wuling District where our Wuling Slaughterhouse, which housed our complex of hog slaughtering and pork processing facilities, is located with a total site area of approximately 33,251 sq.m. Our Wuling Slaughterhouse comprises several buildings and ancillary structures. We have obtained the building ownership certificates in respect of those buildings and ancillary structures.

Our New Production Base

We obtained the land use rights in October 2011 through public auction in respect of the land in Changde Economic and Technological Development Zone (常德經濟技術開發區) where we are constructing our New Production Base for slaughtering and processing. Phase one development comprises a new slaughterhouse with an annual maximum slaughtering capacity of approximately 1,000,000 hogs and pork carving facilities with annual maximum capacity of approximately 30,000 tons of pork as well as freezer storage facilities, which has been put into trial operation since December 2013. Phase two development is expected to provide us with down-stream processing capacity of 10,000 tons of pork products and freezer storage facilities, which is expected to put into trial operation around the second quarter and end of 2014 respectively.

Leased properties

Our Health Breeding Farm

Our Health Breeding Farm is located at Dingcheng District with an area of approximately 62.3 mu (approximately 41,533.5 sq.m.). We rented the land from an Independent Third Party for a period of 21 years commencing from 25 December 2007 to 24 December 2028 for an annual rent of RMB23,674 and an annual management fee of RMB5,000.

The construction of our Health Breeding Farm as hog breeding farm on the land where it is located was in breach of the land use rights as it was designated only for basic farming. Our Directors were not aware of the difference in the nature of the land use rights and were taken to understand that they could conduct hog breeding and farming operation on the relevant land. On 14 January 2010, the Bureau of Land Resources of Dingcheng District of Changde* (常德市鼎城區國土資源局) (the "**Land Bureau**") issued a penalty notice to our Company, stating that the land where our Health Breeding Farm was located was for basic farming purpose. Our use of the land as hog breeding farm was in violation of certain requirements of the Law of Land Administration of the PRC* (土地管理法) and that the lease agreement between us and the lessor may be considered as invalid. We were requested to (i) return the portion of the unused land with an area of 26.6 mu (approximately 17,733.4 sq.m.), (ii) remove the fences around our Health Breeding Farm, and (iii) pay a penalty fee in the amount of RMB150,000, which our Directors considered immaterial to our Group. The Land Bureau confirmed that the zoning of the land in the area of 23 mu (approximately 15,333.4 sq.m.) where our Health Breeding Farm is located was revised from basic farming to reserved construction land, the remaining area of land as general farming land (non-basic).

The Land Bureau confirmed on 26 September 2011 that we have performed the requests in their penalty notice dated 14 January 2010, and the matter in relation thereto is closed. It was also confirmed that saved for the penalty imposed in such penalty notice, the Land Bureau would not imposed any other penalty on land related matters to us, and there are no investigation or penalties on land related matters against us taking place. It was further confirmed that the use of land by our Health Breeding Farm is in compliance with the Law of Land Administration of the PRC* (土地管理法) and other applicable laws and regulations of the PRC, and we can use the relevant land and premises in accordance with the terms of the lease agreement. Our PRC Legal Advisers confirmed that the use of the land for our Health Breeding Farm is in compliance with the Law of Land Administration of the PRC* (土地管理法) and other applicable laws and regulations of the PRC, and the rights and obligations pursuant to the relevant lease agreement are legal and effective.

On 21 December 2007, we entered into an agreement with an Independent Third Party to acquire a parcel of land with a site area of approximately 1,100 sq.m. which is adjacent to our Health Breeding Farm at a consideration of RMB51,000. Two buildings and various structures erected thereon with total gross floor area of approximately 650 sq.m. is currently occupied by our Group for feed mixing and for water pumping facilities. As title documents and approval documents relating to the transfer were not available, our PRC Legal Advisers were not able to opine on the legality and enforceability of the transfer. As such, in the event that the relevant authority or any third party raises objection to the right and the use of the land and the premises and intends to bring about any legal action, we may not be able to continue using the relevant land and the premises. Further, if the transfer of such land and premises to us was considered by the relevant authority to be illegal, we may be penalised at a rate of less than RMB30 per sq.m.. Our Directors confirm that as such premises are only use for housing ancillary breeding facilities for supporting services, our Group could easily relocate such facilities if we could not continue to use the existing premises and our operation would not be materially affected.

Our Linli New Breeding Farm

We rent our Linli New Breeding Farm which is located at Linli County, Changde City, Hunan Province with an area of approximately 54 mu (approximately 36,000 sq.m.). We rented the land from an Independent Third Party for a period of 30 years from 22 October 2012 to 22 October 2042 for an aggregate amount of RMB388,800 paid by our Group within one month upon signing of the relevant rental agreement.

Our Hong Kong office

We rent our Hong Kong office premises which is located at Room 901, 9th Floor, Loon Kee Building, 267–275 Des Voeux Road Central, Hong Kong from an Independent Third Party for a term of two years from 19 August 2013 to 18 August 2015.

INTELLECTUAL PROPERTY RIGHTS

We recognise the importance of protecting and enforcing our intellectual property rights. As at the Latest Practicable Date, we had registered four trademarks and eight patents in the PRC and three trademarks in Hong Kong.

Please see the paragraph headed "10. Intellectual property rights of our Group" in Appendix VI of this prospectus for further details.

As at the Latest Practicable Date, we were not aware of any material infringement, nor any pending on threatened claims in relation thereto, (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. Our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights.

COMPETITION

The hog industry in the PRC is highly fragmented whereby only a few enterprises have integrated operations of hog breeding, hog farming, hog slaughtering and production of pork products. Advanced techniques and mechanical devices have replaced most of the manual processes in hog breeding, hog farming, slaughtering and processing industries, requiring fewer staff performing the same functions. Some hog enterprises have been closed down due to the lack of resources to invest in advanced machinery and devices and to develop their operation so as to catch up with the industrialisation of the industry. Our Group has not been adversely affected by the industrialisation of the industry and is able to improve its operation by engaging professionals and investing in advanced machines. The cooperation with different institutions in research and development ensures our Group be informed of the most updated changes in the industry. Our New Production Base with an annual maximum hog slaughtering capacity of 1,000,000 hogs has been put into trial operation since December 2013. The implementation of various laws and regulations in the PRC has imposed more stringent hygiene and safety standards for hog slaughtering and pork product production industry. Therefore, new entrants to this industry must have sufficient resources and qualifications to meet these regulatory requirements. The amount of capital expenditure required for business in such industry has increased, making it difficult for small operators to compete and are gradually replaced by larger and modern enterprises with integrated operation. Due to these entry barriers and stringent government control, only a few enterprises are granted the licences to conduct hog slaughtering business within a region. The on-going industry consolidation is expected to provide further potential opportunities for our expansion either by acquiring other hog farms and slaughterhouses or capturing a larger market share due to the decrease in number of market players. Nevertheless, we have not identified any targets for acquisition up to the Latest Practicable Date.

There is a decreasing trend in the number of slaughterhouses in Hunan Province. According to the Ipsos Report, the number of slaughterhouses in Hunan Province dropped from 1,050 in 2006 to 620 in 2012 due to the market consolidation. Further, with reference to Hunan Province's Embodiment to Implement National Hog Slaughtering Industry Development Plan Summary (2010–2015)* (湖南省貫徹《全國生豬屠宰行業發展規劃綱要(2010–2015年)》實施方案), the total number of designated slaughterhouses in Hunan Province shall be limited to within 120 by 2015. It is encouraged to develop modern and large slaughterhouses and processing enterprises in the major hog producing counties and to develop pork processing enterprises.

According to Department of Commerce of Hunan Province (湖南省商務廳), currently there were a total of 12 "Grade A Hog Slaughtering Enterprises* (A類合格生豬定點屠宰企業)" in Changde recognised by the People's Government of Changde in 2013. Moreover, as at the Latest Practicable Date, our Wuling Slaughterhouse was the only slaughterhouse in Changde City Areas authorised by the People's Government of Changde with an annual slaughtering capacity of approximately 720,000 hogs. According to the Ipsos Report, our Group ranked within the top 20 slaughterhouses among the 2,400 large-scale slaughterhouses in the PRC in 2012.

According to The Statistic Yearbook in Hunan 2013* (湖南統計年鑒2013), the total production volume of pork of Changde for the year ended 31 December 2012 was approximately 414,091 tons. The production volume of pork products of our Group for the year ended 31 December 2012 was approximately 52,754 tons, hence it can be estimated that our production volume of pork products represented approximately 12.7% of the total production volume of the pork in Changde. Further, according to the Ipsos Report, in terms of revenue in 2012, our Company ranked first in Changde and third in Hunan Province.

The implementation of the relevant laws and regulations and the consolidation trend of the hog industry will assist our Group in expanding our operation and to achieve its goal to streamline and integrate its business operation from hog breeding, hog slaughtering to processing of pork products, which will also allow our Group to extend further control over the quality of the hogs and the end-products.

LITIGATION

As at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations.

REGULATORY COMPLIANCE

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, save as disclosed in the relevant sections of this prospectus and below, our Group had obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force. We have not experienced any refusal of the renewal application of our business licence and other licences necessary for our operations. Our PRC Legal Advisers have also confirmed that as at the Latest Practicable Date, our Group had complied with applicable PRC laws and regulations in all material aspects, in particular, our operation has been in compliance with relevant laws and regulations in connection with product quality, sanitary conditions and prevention of animal epidemic.

Non-compliance Incidents

No.	Non-compliance incident(s)	Reason(s) for non-compliance/ Responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
1.	Construction of our Health Breeding Farm as hog breeding farm on the land where it is located was in breach of the land use rights as it was designated only for basic farming.	Our Directors were not aware of the difference in the nature of the land use rights and were taken to understand that they could conduct hog breeding and farming operation on the relevant land.	Our use of the land where our Health Breeding Farm is located was in violation of certain requirements of the Law of Land Administration of the PRC* (土地管理法) and the lease agreement between us and the lessor may be considered as invalid. The Land Bureau issued a penalty notice to us on 14 January 2010 (the "Penalty Notice") requesting us to (i) surrender the undeveloped portion of the subject land parcel with an area of 26.6 mu (approximately 17,733.4 sq.m.) and reinstate it into arable land, (ii) demolish the fence wall of the surrendered land portion, and (iii) pay a penalty fee in the amount of RMB150,000.	We had completed items (i), (ii) and (iii) of the aforementioned requests pursuant to the Penalty Notice and the Land and Resources Bureau of Dingcheng District, Changde* (常德市鼎城區國土資源局) had converted the land use of the developed portion of the land from basic farmland into construction land. The Land Bureau confirmed on 26 September 2011 that we had performed the requests pursuant to the Penalty Notice and further confirmed that save for the penalty imposed in the Penalty Notice, the Land Bureau would not impose any other penalty on land related matters to us, and there is no investigation or penalty on land related matters against us taking place. The Land Bureau also confirmed that the use of land by our Health Breeding Farm is in compliance with the Law of Land Administration of the PRC and other applicable laws and regulations of the PRC, and we can use the relevant land and premises in accordance with the terms of the lease agreement. Our PRC Legal Advisers confirmed that the use of the land for our Health Breeding Farm is in compliance with the Law of Land Administration of the PRC and other applicable laws and regulations of the PRC, and the rights and obligations pursuant to the relevant lease agreement are legal and effective. Given that (i) we have paid the penalty fee as contained in the Penalty Notice, (ii) as advised by our PRC Legal Advisers, the Bureau of Land Resources of Dingcheng District of Changde* (常德市鼎城區國土資源局) has the authority and is competent to issue such confirmation; (iii) our PRC Legal Advisers are of the view that the confirmation obtained will not be challenged or revoked by higher authorities, no provision had been made in the financial statements of our Group.	Since 23 May 2013, we have designated Mr. Ding Jingxi, our executive Director, who has relevant knowledge and experience in construction projects management, to be responsible for, on his own or designate any person with relevant expertise, closely monitoring any update of relevant rules and regulations to ensure continual compliance and shall report to the general manager and the Board regularly.

No.	Non-compliance incident(s)	Reason(s) for non-compliance/ Responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
2.	We did not obtain final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of the construction of our Health Breeding Farm before the commencement of its operation.	Before the commencement of operation of our Health Breeding Farm, we had communicated with the Environmental Protection Commission of Changde* (常德市環境保護局) which did not object us from commencing operation and we mistakenly believed that we should obtain the final inspection approval only until the completion of construction of the entire Health Breeding Farm. Since the commencement of the Health Breeding Farm, we have not been subject to any penalty from the Environmental Protection Commission of Changde* (常德市環境保護局) in respect of the environmental compliance issue of our Health Breading Farm nor has the commission ordered us to stop operation of our Health Breeding Farm. Further, we have obtained a compliance certificate dated 11 October 2011, pursuant to which the commission made reference to the completion inspection materials of our Health Breeding Farm and confirmed that we had complied with the relevant environmental laws and regulations, and coupled with the extended construction time of our Health Breeding Farm, our Directors misunderstood that the completed parts of our Health Breeding Farm could commence operation prior to the obtaining of the final inspection approval.	Pursuant to the Management Regulations of Environmental Protection of Construction Projects* (建設項目環境保護管理條例), the operation of our Health Breeding Farm may be suspended and a fine of not exceeding RMB100,000 may be imposed.	We had obtained the Pollutant Emission Permit (排放污染物許可證) in February 2012 and the final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of construction of our Health Breeding Farm in August 2013. On the basis that (i) we have obtained the final inspection approval from the Environmental Protection Commission of Changde* (常德市環境保護局) regarding the completion of the construction of our Health Breeding Farm which, as advised by our PRC Legal Advisers, is issued by the competent authority and will not be revoked by other government authority; (ii) the environmental facilities and the operation of our Health Breeding Farm had been approved by the Environmental Protection Commission of Changde* (常德市環境保護局); (iii) our Health Breeding Farm had obtained the relevant Pollutant Emission Permit* (排放污染物許可證); (iv) we had been recognised by the People's Government of Changde as an Advanced Corporation in Environmental Protection* (環保先進企業) in March 2013, and had been awarded RMB20,000 for being an advanced corporation in livestock breeding and farming and environmental protection in March 2013, our PRC Legal Advisers are of the view that it is unlikely that any fine or penalty will be imposed on our Group for not having obtained such final inspection approval prior to 27 August 2013. Therefore, no provision had been made in the financial statements of our Group.	Since 23 May 2013, we have designated Mr. Ding Jingxi, our executive Director, who has relevant knowledge and experience in construction projects management and handling environmental protection matters, to be responsible for, on his own or designate any person with relevant expertise, closely monitoring any update of relevant rules and regulations to ensure continual compliance and shall report to the general manager and the Board regularly.

No.	Non-compliance incident(s)	Reason(s) for non-compliance/ Responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
3.	We did not make contributions to the social insurance in full and did not open accounts of, nor made any contribution to the housing provident fund for our employees prior to October 2011.	During the relevant period, contributions to the social insurance and housing provident fund were handled by our human resources department and our staff at the human resources department did not fully understand the requirement of the social insurance and housing provident fund and had made partial contributions to the social insurance but did not open accounts for the housing provident fund nor made any such contributions.	According to the Social Insurance Law* (社會保險法), we are required to participate in the relevant social insurance contribution plans organised by the relevant local governmental bodies in Changde. We are required to make full contributions in respect of social insurance premium for our employees, covering pension insurance, medical insurance, unemployment insurance, personal injury and maternity (where applicable). Entities contravening such law will be subject to a daily penalty of 0.05% in addition to the outstanding contributions, and subject to a further penalty of a sum not lower than and not more than 3 times the outstanding contributions. We are also required by the Regulations on Management of Housing Provident Fund* (住房公積金管理條例) to register with the competent housing provident fund management centre and make contributions to the housing provident funds for our employees. Entities established more than one year contravening such regulation will be subject to a penalty of not more than RMB50,000.	Since our Directors became aware of the non-compliances, we have made contributions to the housing provident fund and the social insurance premium in full since October 2011. We have obtained confirmations from Social Insurance Fund Shroff Management Office of Changde* (常德市社會保險基金徵繳管理處) on 7 February 2014 and Housing Provident Fund Management Centre of Changde* (常德市住房公積金管理中心) on 7 February 2014 and 13 October 2011 that (i) no penalty will be imposed for the non-compliance of the relevant requirements, and (ii) we have been in compliance with the relevant regulations in relation to the social insurance and housing provident fund since October 2011. Based on these confirmations obtained, our PRC Legal Advisers have also confirmed that the risk of our Group being ordered to repay the outstanding amounts or being penalised is remote. As advised by our PRC Legal Advisers, the Social Insurance Fund Shroff Management Office of Changde* (常德市社會保險基金徵繳管理處) and Housing Provident Fund Management Centre of Changde* (常德市住房公積金管理中心) have the authority and are competent to issue such confirmations. Our PRC Legal Advisers are of the view that the confirmations obtained will not be challenged or revoked by higher authorities. Based on the relevant laws and regulations, our Directors estimate that the maximum amount of contributions to the housing provident fund and social insurance would be around RMB2.0 million. Although we have obtained confirmations from the relevant competent authorities in relation to the social insurance and housing provident fund that no penalty will be imposed on us and we have been in compliance with the relevant regulations in relation to the social insurance and housing provident fund since October 2011, and as at the Latest Practicable Date, our Group has not received any orders from the relevant government authorities requesting our Group to pay the unpaid housing provident fund and social insurance premium, however, for prudent sake, provisions for such outstanding social insurance premiums and housing provident fund contributions of RMB2.0 million have been made in the consolidated financial statements for the Track Record Period and such provisions remain unutilised until our Group actually paid out the relevant unpaid amount. Our Directors considered that such amount of provisions are adequate and no additional provision had been made in the financial statements of our Group.	Since 23 May 2013, we have designated Ms. Hu Qin (胡勤), a senior personnel with relevant experience in supervising human resources management matters who joined our Group since establishment, to review the reporting and contributions of social insurance and housing provident fund for our employees regularly. Ms. Hu Qin had attended training session on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund given by our PRC Legal Advisers on 18 October 2013 and we will arrange our PRC legal adviser to give periodic training to Ms. Hu Qin to keep abreast of these areas. Our human resources team together with finance team would conduct annual review on the compliance of relevant laws and regulations. Our human resources team shall report to the general manager of Hunan Huisheng and the Board on the legal and regulatory compliance and provide improvement recommendations when required. We have also appointed Mr. Yang Jinqiu (楊金球) as our external consultant on 1 June 2013 who has knowledge and experience in the laws and regulations relating to employees' social insurance and housing provident fund during his tenure as the deputy director of Taoyuan County Finance Bureau (桃源縣財政局副局長) and the deputy officer of Taoyuan County Government Office (桃源縣政府辦公室副主任) to advise us on those matters when needed.

No.	Non-compliance incident(s)	Reason(s) for non-compliance/ Responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
4.	Directors of Hong Kong Huisheng failed to lay audited financial statements of Hong Kong Huisheng before its annual general meetings for the period from 14 March 2006 to 31 December 2006 and for each of the four years ended 31 December 2010.	Immediately prior to the Reorganisation, Mr. Ding was the sole beneficial owner and the sole director of Hong Kong Huisheng, a subsidiary of our Company. Mr. Ding, together with the other then directors of Hong Kong Huisheng, Mr. Jiang Zhaozhong (蔣兆忠) (acted as director of Hong Kong Huisheng from 20 December 2006 to 12 March 2010) and Mr. Peng Guoping (彭國平) (acted as director of Hong Kong Huisheng from 14 March 2006 to 12 March 2010), both of whom are PRC citizens and had at all times acted at the directions and instructions of Mr. Ding, were not familiar with the relevant laws, rules and regulations in Hong Kong in relation to maintaining a Hong Kong registered company. Without seeking proper assistance from competent professional parties in Hong Kong, the then directors were not aware of the non-compliance.	The non-compliance constituted breach of section 122 of the Companies Ordinance. The maximum penalty in respect of a breach of section 122 of the Companies Ordinance is a fine of HK$300,000 and 12 months' imprisonment.	Such relevant financial statements were subsequently prepared and approved by a written resolution of the sole director of and a written resolution of all the then shareholders of Hong Kong Huisheng on 18 August 2011. To rectify such non-compliance, application was made to the Court of First Instance of the High Court of Hong Kong on 2 December 2011 seeking an order of the court to (a) substitute the requirement to lay the abovementioned accounts of Hong Kong Huisheng before its annual general meetings in respect of the concerned period with a requirement to lay such accounts by way of a written resolution of all the then shareholders of Hong Kong Huisheng on 18 August 2011; and (b) extend the time for approving the abovementioned accounts of Hong Kong Huisheng to 18 August 2011. The Court of First Instance heard the application on 20 December 2011 and granted an order in the terms of the application. Given the Court of First Instance has already granted an order allowing the abovementioned accounts to be laid by way of a written resolution of all the then shareholders of Hong Kong Huisheng on 18 August 2011 and extending the time for approving such accounts of Hong Kong Huisheng, Hong Kong Huisheng was advised that the non-compliances have been duly rectified. No provision had been made in the financial statements of our Group as we were advised that the practical risk that Hong Kong Huisheng being penalised for failing to lay audited financial statements before its annual general meetings is remote.	Hong Kong Huisheng has engaged Mr. Foo Tin Chung, Victor as company secretary of our Group since July 2013, to oversee and monitor Hong Kong Huisheng's future compliance with the relevant Companies Ordinance and to assist our Directors to observe the compliance of relevant rules and regulations and take follow-up actions when required.

No.	Non-compliance incident(s)	Reason(s) for non-compliance/ Responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
5.	Hong Kong Huisheng had, after its incorporation, held only one annual general meeting on 14 March 2010 by way of a written resolution signed by all its then shareholders and had defaulted in holding annual general meetings in 2007, 2008, 2009 and 2011.	As advised by Mr. Ding, such non-compliances occurred as Hong Kong Huisheng did not receive competent and timely professional advice on the ongoing compliance requirements under the Companies Ordinance, in particular, the requirements under sections 111 and 122 of the Companies Ordinance, from the then secretarial firm engaged by Hong Kong Huisheng for accounting and company secretarial matters.	Failure in holding annual general meetings constituted non-compliance with section 111 of the Companies Ordinance. Under section 111 of the Companies Ordinance, the company and every officer of the company who is in default shall be liable to a fine of HK$50,000.	To rectify such non-compliance, applications were made to the Court of First Instance of the High Court of Hong Kong on 2 December 2011 seeking an order of the court to (a) allow a general meeting of Hong Kong Huisheng to be called within 14 days from the date of the order of the court by way of a written resolution of the sole shareholder of Hong Kong Huisheng; and (b) deem such general meeting to be held the annual general meetings of Hong Kong Huisheng for the concerned years. The court of First Instance heard the application on 20 December 2011 and granted an order in the terms of the application. Given the Court of First Instance has already granted an order directing a general meeting to be held in lieu of the defaulted annual general meetings as aforesaid, and such general meeting as directed by the court was duly held within 14 days from the date of the order of the court on 2 January 2013 by way of a written resolution signed by the sole shareholder of Hong Kong Huisheng, Hong Kong Huisheng was advised that the non-compliances have been duly rectified. No provision had been made in the financial statements of our Group as we were advised that the practical risk that Hong Kong Huisheng being penalised for failing to hold the annual general meetings is remote.	Hong Kong Huisheng engaged Mr. Foo Tin Chung, Victor as company secretary of our Group since July 2013, to oversee and monitor Hong Kong Huisheng's future compliance with the relevant Companies Ordinance and to assist our Directors to observe the compliance of relevant rules and regulations and take follow-up actions when required.

INTERNAL CONTROL MEASURES

In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

(i) our Directors and senior management attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal advisers prior to Listing. We will continue to arrange various trainings to be provided by the legal adviser engaged by us from time to time and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;

(ii) we have designated Mr. Ding Jingxi, our executive Director, to be responsible for compliance matters of our Group relating to land and environmental protection since 23 May 2013. Mr. Ding Jingxi possesses academic background in civil engineering and accumulated over 10 years of experience in construction projects management before joining our Group. His knowledge in land and construction related laws and regulations and his previous experience in coordination with the relevant government authorities in construction projects management and environmental protection matters could enhance our corporate governance in this area. Mr. Ding Jingxi had also attended training session on the relevant PRC land and environmental protection laws and regulations applicable to our Group given by our PRC Legal Advisers on 18 October 2013 and we will arrange for Mr. Ding Jingxi to attend periodic training to keep abreast of these areas. Please see the section headed "Directors, senior management and employees" of this prospectus for more detailed biographical information of Mr. Ding Jingxi;

(iii) we have designated Ms. Hu Qin, a senior personnel of our Group who has experience in supervising human resources management issues and has joined our Group since establishment, to be responsible for compliance matters of our Group relating to social insurance and housing provident fund since 23 May 2013. Ms. Hu Qin obtained a diploma in secretarial studies from Hunan Radio & TV University (湖南廣播電視大學) in June 2003. Ms. Hu had attended training session on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund given by our PRC Legal Advisers on 18 October 2013 and we will arrange for our PRC legal adviser to give periodic training to Ms. Hu Qin and staff of human resources department to keep abreast of these areas;

(iv) we have appointed Mr. Yang Jinqiu (楊金球) as our external consultant on 1 June 2013 to provide an on-request advisory service on compliance matters and enhance the corporate governance of our Group when needed. Mr. Yang Jinqiu is mainly responsible for advising us on legal compliance matters or issues that we may have from time to time and providing us guidance when new laws or regulations relevant to our Group are promulgated. From July 1994 to December 2002, Mr. Yang was the deputy director of Taoyuan County Finance Bureau (桃源縣財政局), which is responsible for supervising the implementation of the laws and regulations relating to the housing provident fund, and was the deputy officer of Taoyuan County Government Office (桃源縣政府辦公室) from January 2003 to March 2011. Mr. Yang gained his knowledge and experience in the laws and regulations relating to employees' social insurance and housing provident fund during his tenure with the local government. On the basis that Mr. Ding Jingxi and Ms. Hu Qin had attended trainings relevant to the historical non-compliance and will continue to keep abreast of these areas and Mr. Yang will provide advisory service on compliance matters of our Group, our Directors consider that our relevant personnel are competent to manage the compliance matters that they are responsible for;

(v) we have appointed Mr. Foo Tin Chung, Victor as our company secretary on 15 July 2013 who will be responsible for company secretarial matters of our Group. Mr. Foo has over 10 years of experience in auditing, accounting and financial management and company secretarial matters. Mr. Foo is a member of the Australia Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements. Please see the section headed "Directors, senior management and employees" of this prospectus for more detailed biographical information of Mr. Foo;

(vi) we have designated our company secretary to be responsible for assessing and monitoring compliance with our internal control policies, recommending additional internal control measures if required, coordinating compliance training for our employees and reporting of the above to our Directors;

(vii) we have engaged an external PRC legal adviser, on 9 February 2014 to render professional advice as to compliance with the statutory requirements applicable to our Group from time to time upon Listing. We have also appointed CICL as our compliance adviser to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules; and

(viii) we have established the audit committee which comprises three independent non-executive Directors. Mr. Ma Yiu Ho, Peter, our independent non-executive Director and member of the audit committee, possesses accounting experience. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

REVIEW BY THE INTERNAL CONTROL CONSULTANT

In preparation for the Listing, we have engaged an independent internal control consultant, Baker Tilly Hong Kong Risk Assurance Limited *(Note)* (the "**Internal Control Consultant**"), to conduct an evaluation of our Group's internal control system. We have particularly requested the Internal Control Consultant to review and follow up the effectiveness of the enhanced internal control measures over the non-compliance incidents. Their scope of review, recommendations and review of the effectiveness of the recommended measures are set out below.

Note: Baker Tilly Hong Kong Risk Assurance Limited is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly Hong Kong Risk Assurance Limited mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong. The key members of the engagement team from Baker Tilly Hong Kong Risk Assurance Limited are qualified accountants and internal auditors.

In relation to the construction of Health Breeding Farm on the land where it is located was in breach of the land use rights and failing to obtain final environmental inspection approval before the commencement of operation of the Health Breeding Farm, the Internal Control Consultant recommended that we should designate a management personnel with relevant knowledge and experience to be responsible for closely monitoring any update of relevant rules and regulations to ensure our continual compliance and reporting to the Board regularly.

In relation to the failure to make social insurance and housing provident fund contributions, the Internal Control Consultant recommended that the management personnel of our human resources department shall regularly review the reporting and contributions of social insurance and housing provident fund for our employees and report to the general manager of Hunan Huisheng on the regulatory compliance regularly.

In relation to the failure of Hong Kong Huisheng to lay audited financial statements before its annual general meeting and hold annual general meetings, the Internal Control Consultant recommended that we should appoint personnel with relevant expertise and experience to oversee and monitor Hong Kong Huisheng's compliance with the Companies Ordinance and to assist our Directors to observe the compliance with relevant rules and regulations.

The Internal Control Consultant has confirmed that we have implemented all the recommended internal control measures and the measures are adequate and effective in enhancing our internal control system and to prevent future non-compliance.

VIEWS OF OUR DIRECTORS AND THE SPONSOR

Based on the above, our Directors are of the view that the non-compliance incidents were inadvertent oversight and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations. Having also considered the view of the Internal Control Consultant, our Directors (including independent non-executive Directors) are satisfied and the Sponsor concurs that the above non-compliance incidents would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability for listing of our Company under Rule 8.04 of the Listing Rules notwithstanding the above non-compliances on the following basis:

(i) the occurrence of the non-compliance incidents was solely due to past inadvertent oversight or unfamiliarity with the relevant rules and regulations and did not involve dishonesty or fraud on the part of our Directors;

(ii) our Directors responded in a timely manner to rectify the non-compliance once they were aware of such incidents;

(iii) the relevant authorities have confirmed that notwithstanding the lack of the relevant permit or authorisation, our Group has been complying with the relevant rules and regulations and that our Directors have sought for the granting of such permit or authorisation from the relevant authorities;

(iv) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are in place measures for preventing recurrence of non-compliance as disclosed above and such measures are considered as adequate and effective according to the Internal Control Consultant;

(v) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been accused of any breach of rules and regulations other than the non-compliance incidents as disclosed above; and

(vi) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

DIRECTORS

Our Board consists of eight members, three of whom are independent non-executive Directors. The table below shows certain information in respect of our Directors:

Name	Age	Position/Role	Date of appointment as Director	Responsibilities
Mr. Ding Biyan (丁碧燕)	49	Chairman Executive Director	30 September 2011	Strategic development and planning of our Group and participating in the day-to-day management of our Group's business operation; member of the remuneration committee
Mr. Yu Jishi (于濟世)	46	Chief executive officer Executive Director General manager of Hunan Huisheng	11 February 2014	Overall management of our business operations and participating in the day-to-day management of our Group's business operation; member of the nomination committee
Mr. Ding Jingxi (丁敬喜)	42	Executive Director Deputy general manager of Hunan Huisheng	11 February 2014	Management of our production facilities and public relations and participating in the day-to-day management of our Group's business operation
Mr. Zhou Shigang (周詩剛)	39	Executive Director	11 February 2014	Overall administration of our Group and participating in the day-to-day management of our Group's business operation
Mr. Zhang Zhizhong (張志忠)	45	Non-executive Director	11 February 2014	Overseeing our Group's compliance matters but not participating in the day-to-day management of our Group's business operation
Mr. Ma Yiu Ho, Peter (馬遙豪)	49	Independent non-executive Director	11 February 2014	Chairman of the audit committee and member of the remuneration committee; provide independent advice to our Board
Mr. Deng Jinping (鄧近平)	50	Independent non-executive Director	11 February 2014	Chairman of the nomination committee and member of the audit committee; provide independent advice to our Group
Mr. Liao Xiujian (廖秀健)	46	Independent non-executive Director	11 February 2014	Chairman of the remuneration committee and member of the audit committee and nomination committee; provide independent advice to our Group

Executive Directors

Mr. Ding Biyan (丁碧燕), aged 49, is our chairman and executive Director, being responsible for the strategic development and planning of our Group. Mr. Ding is the founder of our Group and one of our Controlling Shareholders. Through the investment promotion activities of the local government of Wuling District, Mr. Ding gained access to the hog breeding, farming and slaughtering industry. Mr. Ding founded Changde Huisheng in April 2006 and Hunan Huisheng in November 2007 and has since then acted as the chairman of Hunan Huisheng. Mr. Ding has also been a director of Hong Kong Huisheng, Hunan Huisheng and Huisheng (BVI) respectively since their incorporation. Prior to establishing our Group, Mr. Ding had been an engineer of Changde No.1 Construction Company* (常德市第一建築工程有限責任公司) since September 2000. In 2002, Mr. Ding established Jinda Concrete, which engaged in cement business. Mr. Ding is a committee member of the 6th Changde Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議常德市第六屆委員會), a representative of the 14th and 15th People's Congress of Wuling District of Changde* (常德武陵區人民代表大會), the vice chairman of the Meat Association of Hunan Province* (湖南省肉類協會), and the president of the Meat Processing Association of Changde* (常德市屠宰協會), and the vice chairman of the Association of Industry and Commerce of Changde* (常德市工商聯會). Mr. Ding graduated from the CPC Hunan Provincial Committee Party School* (中共湖南省委黨校), majoring in economic management with a diploma in June 2001. Mr. Ding is a brother of Mr. Ding Jingxi, our executive Director.

Mr. Yu Jishi (于濟世), aged 46, is our chief executive officer, executive Director and general manager of Hunan Huisheng, being responsible for the overall management of our business operations. Mr. Yu is one of our Controlling Shareholders. Mr. Yu joined Changde Huisheng in August 2006 as manager and joined our Group as director of Hunan Huisheng in November 2007. Prior to joining our Group, Mr. Yu worked at various departments of the rural area offices in Changde from July 1985 to July 2006. Mr. Yu was also a representative of the 15th People's Congress of Wuling District of Changde* (常德武陵區人民代表大會). In October 2013, Mr. Yu was awarded the "Influential Entrepreneur in PRC's Meat Industry* (中國肉類食品行業影響力企業家)" by the Meat Association of the PRC* (中國肉類協會). He obtained the qualification of tutoring qualified meat inspectors* (肉品品質檢驗人員教師資格) of the PRC in September 2010. Mr. Yu obtained his diploma in regional economics from the Graduate School of the People's University of China* (中國人民大學研究生院) in August 1998. Mr. Yu has been a member of the jury for the People's Court of Huling District of Changde City, Hunan Province* (湖南省常德市武陵區人民法院) from August 2008 to August 2013. Mr. Yu formed a partnership in the PRC, namely Changde Huimin Jisheng Veterinary Drug Store* (常德市惠民濟生獸藥店) ("**Huimin Veterinary Drug Store**"), with Mr. Ding Jingxi and others in May 2009. The business scope of Huimin Veterinary Drug Store was the sale of veterinary drug. Mr. Yu and Mr. Ding decided not to operate Huimin Veterinary Drug Store shortly after its establishment due to their other business commitment in our Group. Huimin Veterinary Drug Store was inactive since its establishment. As a result, Huimin Veterinary Drug Store did not undertake its annual inspection to verify its qualification to continue its business operations, and its business licence was revoked by the Changde City Administration of Industry and Commerce Office* (常德市工商行政管理局) on 15 December 2011.

Mr. Ding Jingxi (丁敬喜), aged 42, is our executive Director and the deputy general manager of Hunan Huisheng, being responsible for the management of production facilities and public relations. Mr. Ding Jingxi is one of our Controlling Shareholders and a brother of Mr. Ding, our executive Director. Mr. Ding Jingxi joined our Group as director of Hunan Huisheng in November 2007 and has also acted as a director of Linli Huisheng and Linli JV since their establishment. Prior to joining our Group, Mr. Ding Jingxi worked at Changde No.1 Construction Company* (常德市第一建築工程有限責任公司) from July 1992 to

February 2002, engaging in construction project management, and acted as the manager of Jinda Concrete from 2003 to 2006. Mr. Ding Jingxi obtained his diploma in civil engineering from Wuhan University (武漢大學) through a distance learning course in July 1992. Mr. Ding established Huimin Veterinary Drug Store with Mr. Yu Jishi in May 2009, but they soon decided not to operate Huimin Veterinary Drug Store due to their business commitment in our Group. The business licence of this entity was revoked on 15 December 2011. Please refer to the biographical details of Mr. Yu Jishi for further details of this entity.

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

Non-executive Director

Mr. Zhang Zhizhong (張志忠), aged 45, is our non-executive Director. Mr. Zhang is one of our Controlling Shareholders. He joined our Group as director of Hunan Huisheng in November 2007. Prior to joining our Group, Mr. Zhang worked at Changde No.1 Construction Company* (常德市第一建築工程有限責任公司) from September 1990 to May 2002, engaging in construction projects management, and acted as the financial manager of Jinda Concrete from April 2003 and was promoted to be the general manager in March 2004, being responsible for its daily operation and management. Mr. Zhang obtained a diploma in legal studies from Hunan Radio & TV University* (湖南廣播電視大學) in January 2008.

Independent non-executive Directors

Mr. Ma Yiu Ho, Peter (馬遙豪), aged 49, was appointed as our independent non-executive Director on 11 February 2014. He is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a master degree of business administration from the Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of COFCO Land Holdings Limited (formerly known as The Hong Kong Parkview Group Limited) (stock code: 207); the financial controller, qualified accountant and authorised representative of VODone Limited (stock code: 82), both are listed companies on the Main Board of the Stock Exchange; chief financial officer of Superior Fastening Technology Limited (stock code: 5DW), a listed company on the Singapore Exchange. Mr. Ma has also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director and chairman of the audit committee of Convoy Financial Services Holdings Limited (stock code: 1019) and China Packaging Holdings Development Limited (stock code: 1439) since March 2010 and December 2013 respectively, both are listed companies on the Main Board of the Stock Exchange.

Mr. Deng Jinping (鄧近平), aged 50, was appointed as our independent non-executive Director on 11 February 2014. He has been a post doctoral fellow and tutor of the College of Animal Science and Technology of Hunan Agricultural University* (湖南農業大學動物科學技術學院) since December 2008, focusing on animal nutrition and breeding biology. Mr. Deng was an assistant tutor, lecturer, deputy professor and tutor of master students of Jiangxi Agricultural University* (江西農業大學) from July 1984 to November 2008. Mr. Deng has been involved in various research projects and has published a number of articles. Mr. Deng was awarded the Second Class Award of the State Technology Advancement Award* (國家科學技術進步獎二等獎) in 2010 and First Class Award of Hunan Province Technology Advancement Award* (湖南省科學技術進步獎一等獎) in 2009. Mr. Deng has also been the vice chairman of the Animal Nutrition and Eco-environment Association of Hunan Province* (湖南省動物營養與生態環境學會副理事長) since May 2010 and vice chairman of the Association of Animal Science and Veterinary Medicine of Hunan Province* (湖南省畜牧獸醫學會副理事長) since December 2010. Mr. Deng obtained his doctorate degree in production and application of feed crops from Hunan Agricultural University* (湖南農業大學) in December 2007.

Mr. Liao Xiujian (廖秀健), aged 46, was appointed as our independent non-executive Directors on 11 February 2014. He is currently a law professor of Hunan Agricultural University* (湖南農業大學) and an associate of Changsha Branch of Beijing Zhaoxiangling Law Firm* (北京趙湘寧律師事務所長沙分所). Mr. Liao worked at the People's Court of Shenfang City, Sichuan, the PRC* (四川什邡市人民法院) from July 1995 to January 2000 and worked at the Legislative Affairs Office of the People's Government of Shenfang City, Sichuan, the PRC (四川什邡市人民政府法制辦公室) from February 2000 to September 2001. He joined the social science department of Hunan Agricultural University* (湖南農業大學) in October 2001 and became a professor in November 2010. Mr. Liao obtained his doctorate degree in management from Huazhong Agricultural University* (華中農業大學) in January 2007.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the paragraph headed "Interest discloseable under the SFO and substantial Shareholders" in Appendix VI to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Each of our Directors has confirmed that he does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us which is discloseable under Rule 8.10 of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The table below shows certain information in respect of our senior management:

Name	Age	Position	Date of joining our Group
Mr. Zhou Zhenghua (周正華)	51	Production manager	November 2007
Mr. Zhang Jianlong (張建龍)	57	Assistant to general manager	November 2007

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

Mr. Zhang Jianlong (張建龍), aged 57, has been the assistant to the general manager of Hunan Huisheng since he joined our Group in November 2007. Prior to joining our Group, Mr. Zhang worked as an accountant at Sanyanggang Town of Taoyuan County* (陶源縣三陽崗鎮), engaged in project management for Changde No.1 Construction Company* (常德市第一建築工程有限責任公司) from 2001 to 2002, and acted as the deputy general manager of Jinda Concrete from 2002 to 2007.

Company secretary

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

AUDIT COMMITTEE

We established an audit committee on 11 February 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The duties of our audit committee include, without limitation, (a) making recommendations to our 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 our financial statements, our annual report and accounts and our half-year report, and reviewing significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of Mr. Ma Yiu Ho, Peter (馬遙豪), Mr. Deng Jinping (鄧近平) and Mr. Liao Xiujian (廖秀健). Mr. Ma Yiu Ho, Peter (馬遙豪) is the chairman of the audit committee.

REMUNERATION COMMITTEE

We established a remuneration committee on 11 February 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The duties of our remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our 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 our Board of the remuneration of our non-executive Directors; and (c) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives.

Our remuneration committee consists of Mr. Liao Xiujian (廖秀健), Mr. Ding Biyan (丁碧燕) and Mr. Ma Yiu Ho, Peter (馬遙豪). Mr. Liao Xiujian (廖秀健) is the chairman of the remuneration committee.

NOMINATION COMMITTEE

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

Our nomination committee consists of Mr. Deng Jinping (鄧近平), Mr. Yu Jishi (于濟世) and Mr. Liao Xiujian (廖秀健). Mr. Deng Jinping (鄧近平) is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

Each of our executive Directors has entered into a service agreement with us commencing from the Listing Date for an initial term of three years which may be terminated by either party by serving on the other party a prior written notice of not less than three months. Under the service agreements, our executive Directors are entitled to an aggregate annual basic salary of approximately HK$180,000 (or its equivalent in RMB). Each of our executive Directors is also entitled to a discretionary bonus as determined by our remuneration committee by reference to the performance of our Group. Particulars of the terms of the above service contracts are set out in the paragraph headed "(b) Particulars of service contracts" in Appendix VI to this prospectus.

The aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes we paid to the relevant Directors in respect of each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 were approximately RMB286,000, RMB297,000, RMB341,000 and RMB246,000 respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 11 to the Accountants' Report as set out in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ended 31 December 2014 is expected to be approximately RMB1,006,000.

The five highest paid individuals of our Group for the Track Record Period included two executive Directors, Mr. Ding and Mr. Yu Jishi (于濟世), whose remunerations are included in the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes we paid to the relevant Directors set out above. Excluding such Directors, the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes to the remaining three of the five highest paid individuals by our Group in respect of each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 were approximately RMB273,000, RMB532,000, RMB595,000 and RMB261,000 respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 to our Directors by our Group.

COMPLIANCE ADVISER

We have appointed CICL as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise us in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

STAFF

As at the Latest Practicable Date, we had a total of 451 full-time staff members. The analysis by function of our staff is as follows:

Functions	**Number of staff members**
Management, finance and administration	42
Research and development	7
Production, procurement and warehousing	284
Quality control	15
Sales and marketing	58
Breeding and farming	45
Total	451

Our relationship with staff

Our Directors believe that our staff are among the most valuable assets of our Group and have contributed to the success of our Group. We provide training to individual employees according to their own job descriptions. In particular, we provide in-house training to our staff to enhance their knowledge of the products we distribute, corporate culture and sales techniques.

Since the establishment of our Group, we have not experienced any significant turnover of staff or any disruption to our business operations due to labour disputes. Our Directors consider that we have maintained a good relationship with our staff.

Staff benefits

In the PRC, in accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay, in respect of our employees in the PRC, various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave.

The contributions we paid for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 were approximately RMB1.9 million, RMB2.2 million, RMB2.9 million and RMB2.6 million respectively.

According to the relevant PRC regulations, we are required to participate in the relevant social insurance contribution plans organised by the relevant local governmental bodies in Changde. We are required to pay a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, personal injury and maternity (where applicable) in respect of our employees. We are also required by the relevant PRC regulations to register with the local housing provident fund management centre and make contributions to the housing provident funds for our employees. Save as disclosed in the paragraph headed "Regulatory compliance" in the section headed "Our business" in this prospectus, we have complied with all of these requirements.

In Hong Kong, we participate in a provident fund scheme ("**MPF Scheme**") registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable in accordance with the rules of the MPF Scheme. Our contributions as employer vest fully with the employees when we contribute to the scheme in accordance with the rules of the MPF Scheme. We contribute the lower of HK$1,250 or 5% of the relevant monthly salary to the MPF Scheme, a contribution matched by the employees.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed "15. Share Option Scheme" in Appendix VI to this Prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 42.9% by Huimin and 20.5% by Jisheng. Huimin is wholly owned by Mr. Ding, and Jisheng is wholly owned by Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍) and Ms. Li Xianjie (李賢杰). As Huimin, Jisheng and their shareholders are directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Huiming, Jisheng, Mr. Ding, Mr. Ding Jingxi (丁敬喜), Mr. Zhang Zhizhong (張志忠), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛), Mr. Zhang Jianlong (張建龍) and Ms. Li Xianjie (李賢杰) will be regarded as our Controlling Shareholders under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, none of the Controlling Shareholders was engaged, or interested, in any business which, directly or indirectly, competed or might compete with our business which was discloseable under Rule 8.10 of the Listing Rules. Our Directors believe that we are capable of carrying on our business independently from, and does not place undue reliance on our Controlling Shareholders and their respective associates, taking into consideration the factors set out below.

Management independence

Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. While all our executive Directors, namely Mr. Ding, Mr. Ding Jingxi (丁敬喜), Mr. Yu Jishi (于濟世) and Mr. Zhou Shigang (周詩剛), are also our Controlling Shareholders due to their interests in Huimin and Jisheng as disclosed above, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. In addition, each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a director and his personal interests.

If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Directors shall declare such interest to the Board at or prior to the meeting of the Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles and the applicable laws of the Cayman Islands. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles. As such, Mr. Ding, Mr. Ding Jingxi (丁敬喜), Mr. Yu Jishi (于濟世), Mr. Zhou Shigang (周詩剛) and Mr. Zhang Zhizhong (張志忠) will not attend the Board meetings when those matters or transactions relating to any of the Controlling Shareholders or otherwise give rise to potential conflicts of interest come up for discussion unless required by a majority of our independent non-executive Directors to the contrary and they would not be counted as quorum in the relevant meetings.

Since each of Huimin and Jisheng has no business other than holding the shareholding interest in our Company, our Directors do not foresee any issue which may affect our management independence. In addition, our Group has a senior management team which is capable of carrying out the business decision of our Group independently. Save for Mr. Zhang Jianlong (張建龍), being one of our Controlling Shareholders, none of our senior management team has any managerial role or beneficial interest in Huimin or Jisheng or has any family relationship with our Controlling Shareholders or any of their respective associates.

Three of our Board members are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly disclosed in the paragraph headed "Deed of Non-Competition" below), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective associates after Listing.

Operational independence

While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing and human resources) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors, senior management and employees" in this prospectus), without unduly requiring the support of our Controlling Shareholders and their associates.

Further, our Group holds all the patents, trademarks, designs and domain names with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective associates.

We also have access to our customers and suppliers who are third parties independent from and not connected with our Controlling Shareholders and their respective associates. We have our own sales and marketing teams which are led by our senior management, and have our own marketing, distribution and customer relationship operations which are operated independently from our Controlling Shareholders and their respective associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business.

Our Directors consider that our Group can operate independently from our Controlling Shareholders and their associates.

Financial viability and independence

During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, accounting and finance department and treasury function for cash receipts and payments.

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the amount of total borrowings of our Group that were secured by the assets of and/or guaranteed by Mr. Ding and/or a company controlled by Mr. Ding (details of which are set out in notes 28 and 39 to the Accountants' Report set out in Appendix I to this prospectus) was approximately RMB15.0 million, RMB52.1 million, RMB49.8 million and RMB11.0 million respectively. These borrowings had been fully repaid as at the Latest Practicable Date.

Moreover, we make financial decisions according to our own business requirements and in this connection, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders after the Listing and thus there is no financial dependence on them.

DEED OF NON-COMPETITION

For the purpose of the Listing, the Controlling Shareholders have entered into a deed of non-competition (the "**Deed of Non-Competition**") with and in favour of our Company (for ourselves and as trustee for our subsidiaries). Pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for itself and for the benefit of its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group) shall:

(a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the production and sale of pork products) in Hong Kong, the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(b) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);

(c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(d) if there is any project or new business opportunity that relates to the Restricted Activity, (i) promptly refer such project or new business opportunity to our Group for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, and (ii) use its/his best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his associates;

(e) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(f) procure its/his associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-Competition do not apply to:

(a) the holding of, or interests in, the shares of any members of our Group;

(b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his respective associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of the Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of its subsidiaries):

(a) to allow the Directors, their respective representatives and our auditors to have sufficient access to the records of each of the Controlling Shareholders and their respective associates to ensure compliance with the terms and conditions of the Deed of Non-Competition;

(b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition by the Controlling Shareholders;

(c) to make an annual declaration as to full compliance with the terms of the Deed of Non-Competition and a consent to disclose such letter in our annual report.

The Deed of Non-Competition will become effective upon the Global Offering becoming conditional. The obligations of the Controlling Shareholders under the Deed of Non-Competition will remain in effect during the period (the "**Relevant Period**") from the Listing Date until the earlier of the date on which:

(a) the Controlling Shareholders, together with their associates, whether individually or taken together, ceases to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company; or

(b) the Shares cease to be listed and traded on the Stock Exchange.

We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of "control".

Corporate Governance Measures

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports;

(ii) an annual declaration as to full compliance with the terms of the Deed of Non-Competition will be made by the Controlling Shareholders, and will be disclosed in our annual reports;

(iii) our Directors operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and

(iv) pursuant to the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost.

We will follow the measures in the Code which sets out the principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. We will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual report.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, the following persons will have interests or short positions in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(a) Interest in the Shares

Name	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Huimin	Beneficial owner	171,390,728 (L)	42.9%
Mr. Ding	Interest of controlled corporation *(Note 2)*	171,390,728 (L)	42.9%
Ms. Yang Min (楊敏)	Interest of spouse *(Note 3)*	171,390,728 (L)	42.9%
Jisheng	Beneficial owner *(Note 4)*	82,147,999 (L)	20.5%

Notes:

1. The letter "L" denotes a person's long position in such Shares.

2. These Shares are held by Huimin, which is wholly owned by Mr. Ding. By virtue of the SFO, Mr. Ding is deemed to be interested in the Shares held by Huimin.

3. Ms. Yang Min (楊敏) is the spouse of Mr. Ding. By virtue of the SFO, Ms. Yang Min (楊敏) is deemed to be interested in the same number of Shares in which Mr. Ding is deemed to be interested.

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

(b) Interest in the share capital of other members of our Group

Name	Relevant company	Capacity	Approximate percentage of shareholding
NeX Eco-Agriculture	Linli JV	Beneficial owner	20.0%

SHARE CAPITAL

The following is a description of our authorised share capital and our share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering and the Capitalisation Issue:

		(HK$)
Authorised share capital:		
1,500,000,000	Shares	15,000,000.00
Issued share capital:		
10,419	Shares in issue as at the date of this prospectus	104.19
Shares to be issued:		
299,989,581	Shares to be issued pursuant to the Capitalisation Issue	2,999,895.81
100,000,000	Shares to be issued pursuant to the Global Offering	1,000,000.00
Total issued Shares on completion of the Global Offering:		
400,000,000	Shares *(Note)*	4,000,000.00

Note: If the Over-allotment Option is exercised in full, 18,000,000 additional Shares will be issued resulting in an aggregate of 418,000,000 Shares to be in issue.

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be allotted and issued or repurchased pursuant to the general mandates given to our Directors described in the paragraphs headed "General mandate to issue Shares" and "General mandate to repurchase Shares" in this section.

RANKING

The Offer Shares, including the additional Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and in particular, will qualify for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and

(ii) the aggregate nominal amount of the share capital of our Company repurchased by us (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under the paragraph headed "3. Resolutions in writing of all Shareholders passed on 11 February 2014" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "7. Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under the paragraph headed "3. Resolutions in writing of all Shareholders passed on 11 February 2014" in Appendix VI to this prospectus.

You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our consolidated financial information as at and for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013, including the notes thereto, included in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk factors" and elsewhere in this prospectus.

BUSINESS OVERVIEW

We are one of the largest pork suppliers in terms of revenue in 2012 in Changde, Hunan Province, the PRC, principally engaged in the production and sale of pork products. Our operation mainly involves hog slaughtering as well as hog breeding and hog farming. The majority of our revenue was generated from the sale of pork products to customers in Hunan Province, the PRC. As at the Latest Practicable Date, our Wuling Slaughterhouse was one of the 12 "Class A Hog Slaughtering Enterprises* (A類合格生豬定點屠宰企業)"[(Note 1)] in Changde recognised by the People's Government of Changde in 2013 and also the only hog slaughterhouse authorised by the People's Government of Changde in Changde City Areas, while the other 11 "Class A Hog Slaughtering Enterprises" were located in other areas of Changde. Our pork products include fresh, chilled, frozen pork and side products as well as processed pork products including cured pork and sausages. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, the number of hogs being slaughtered by us was approximately 581,434, 684,075, 705,459, and 530,471 heads respectively. For the year ended 31 December 2012, total production volume of our pork products was approximately 52,754 tons of pork, representing approximately 12.7% of total output volume of pork in Changde[(Note 2)]. According to the Ipsos Report, our Company ranked first in Changde, third in Hunan Province and within the top 20 among the 2,400 large-scale slaughterhouses in the PRC in terms of revenue in 2012.

We commenced our hog slaughtering operations and the construction of our Health Breeding Farm for hog breeding in January 2008. The pork products produced from our first batch of hogs which were bred and farmed in our Health Breeding Farm were launched in the market in early 2009. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, approximately 93.8%, 94.0%, 94.9% and 94.9% of the total number of hogs that we slaughtered respectively were purchased from third party suppliers, while approximately 3.5%, 4.3%, 3.9% and 3.5% of the hogs that we slaughtered were bred and farmed at our Health Breeding Farm, Contract Farms and Fattening Farms during the Track Record Period. With a view to ensuring the quality of our pork products and further expanding our output

Notes:

1. *Pursuant to the Administrative Provisions for Hog Slaughtering* (生豬屠宰管理條例), hog slaughtering enterprises are classified into two classes according to different levels of compliance requirements. Hog slaughtering enterprises which could comply with the legal requirements in the Administrative Provisions for Hog Slaughtering* (生豬屠宰管理條例) and the requirements of the standards of inspection and recertification which are set out in the Notice on Strictly Implementing the Standards of Inspection and Recertification for Hog Slaughtering Enterprises* (關於嚴格執行生豬定點屠宰企業審核換證標準的通知) are classified as class A, and they are required to adhere to state level administrative rules and regulations. Class B hog slaughtering enterprises are in general smaller in scale and located in rural districts, and they are required to adhere to local administrative rules and regulations.*

2. *Our Group's market share in Changde was calculated with reference to the total output volume of pork in Changde in 2012 reported in The Statistic Yearbook in Hunan 2013 (湖南統計年鑒2013) and the total production volume of pork products (excluding hogs slaughtered for other individual slaughtermen) of our Group in 2012.*

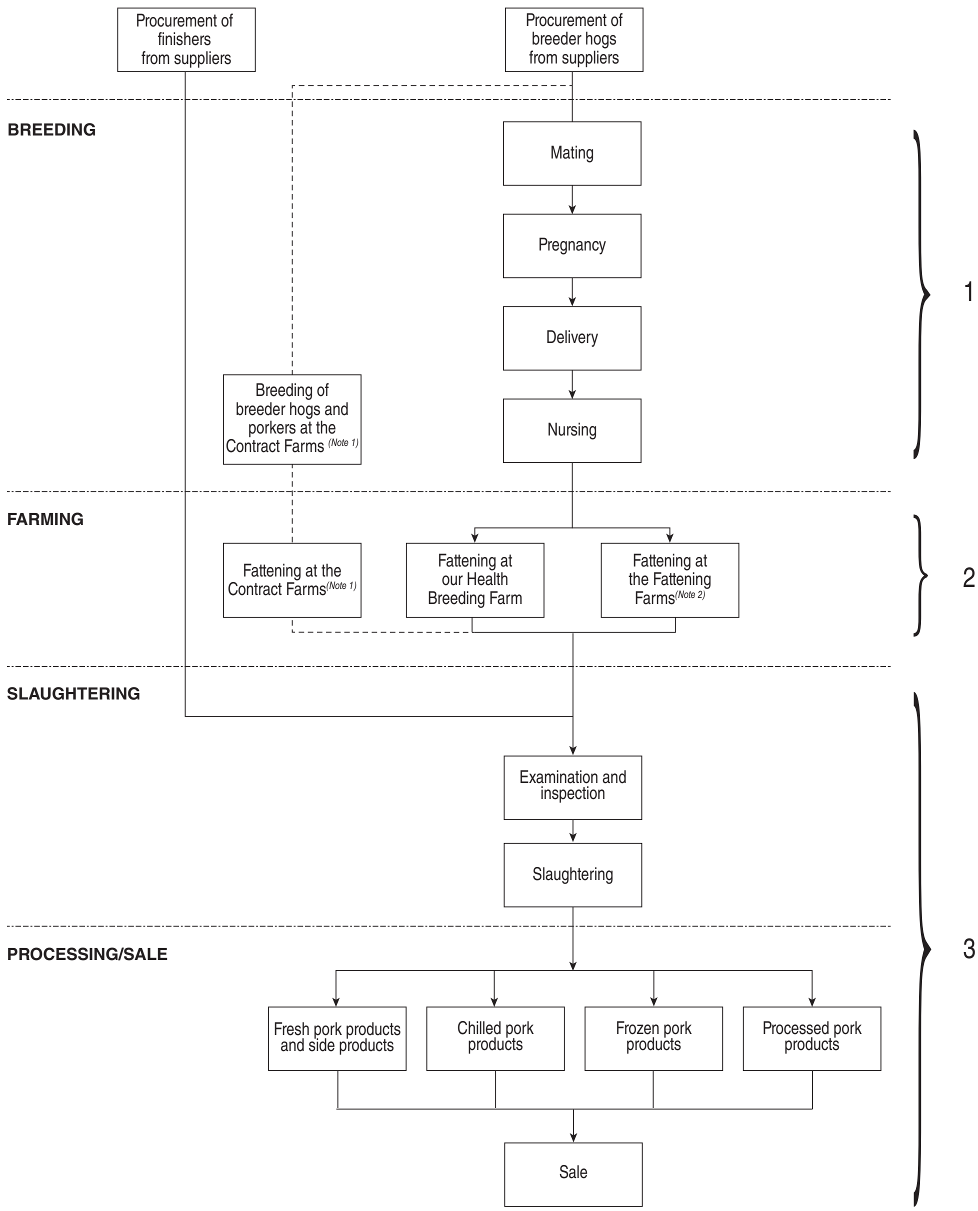
capacity of hogs, we have developed our own Breeding and Farming Model to enhance our vertical integration which involves the specialisation of mating, pregnancy and nursing technique of piglets and outsourcing of fattening process to local Fattening Farmers to gradually expand our hog farming capacity. As at the Latest Practicable Date, we had contracted with 33 Fattening Farmers in Changde, Hunan Province.

We expanded our range of pork products from fresh pork and side products to chilled and frozen pork products in mid-2008 and seasonal processed pork products, including cured pork and sausages by the end of 2008. Our packaged products including frozen pork and processed pork products are sold under our registered trademark "歪脖脖". Our customers include operators of Cooperative Retail Shops, supermarkets, wet market pork traders, individual and corporate pork product traders and food processing factories. During the Track Record Period, over 80% of our pork products, in particular, fresh pork, chilled pork, frozen pork, side products and processed pork products, were sold in Changde and other major cities in Hunan Province. We have gradually expanded the sales radius of our frozen pork products to markets outside Hunan Province including Guangdong Province, Beijing City, Shandong Province, Jiangsu Province, Fujian Province and will continue to explore other markets for our frozen pork products.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our total revenue amounted to approximately RMB754.2 million, RMB1,073.9 million, RMB1,047.6 million and RMB803.9 million respectively, and our profit attributable to the owners of our Company amounted to approximately RMB80.5 million, RMB127.5 million, RMB94.1 million and RMB69.9 million respectively.

PRODUCTION PROCESS

The chart below illustrates our Group's production process and the corresponding impacts on its financial statements, which is prepared for illustrative purposes only and may not provide a full picture of our Group's financial position.



Notes:

1. During the Track Record Period and up to June 2013, we also entered into cooperation agreements with a total of four Contract Farmers in relation to the operation of four Contract Farms. Such arrangements ceased as at the Latest Practicable Date. Please refer to the paragraph headed "Contract Farms" in the section headed "Our business" in this prospectus for further details.
2. We commenced engaging Fattening Farmers to provide us hog farming services since May 2011. Please refer to the paragraph headed "Fattening Farms" in the section headed "Our business" in this prospectus for further details.

No.	Processes	Activities	Impacts on financial statements
1	Breeding	We adopt the "Duroc x Landrace x Yorkshire" crossbreeding technique, with "Landrace x Yorkshire" crossbred females mating with Duroc males, giving birth to "Duroc x Landrace x Yorkshire" crossbred piglets. Pregnant sows will be transferred to individual sites in the delivery sheds expecting delivery. Newborn piglets are kept in an incubator to maintain their body temperature and are required to be injected with health vaccination to prevent inflammation and infection. Weaners will be transferred to and kept in the nursing sheds for around 35 days.	We record breeder hogs as biological assets under non-current assets upon delivery or receipt. We record newborn piglets under current assets upon delivery. Costs, such as cost of feed, health medicine and vaccines, would be absorbed to the biological assets under non-current assets for breeder hogs and current assets for newborn piglets and weaners. As at the end of each reporting period, we recognise the biological assets at fair value less costs to sell at each reporting date and record the change in fair value less costs to sell of biological assets in profit or loss of respective reporting period.
2	Farming	Weaners of around 60-day-old will be transferred to the fattening sheds at our Breeding Farms or will be delivered to the Fattening Farms for fattening process. We provide hog feed, medicines and technical support to Fattening Farmers.	We recognise the utilities consumed as production cost under cost of sales and make payment when the bills are due. We recognise the service fees as production cost under the cost of sales upon receipt of finishers from Fattening Farmers. As at the end of each reporting period, we recognise the biological assets at fair value less costs to sell at each reporting date and record the change in fair value less costs to sell of biological assets in profit or loss of respective reporting period.
3	Slaughtering and processing/sale	Porkers are bred until they weigh around 100kg in the fattening sheds or by Fattening Farmers which will usually take approximately 100 to 110 days on average before slaughtering. We also procure finishers from individual hog traders for slaughtering and production of pork products.	We record the sale of pork products upon delivery. The balance of biological asset would be decreased by cost of such finishers and porkers and the cost of sales would be increased by the same amount.

BASIS OF PRESENTATION

Pursuant to the Reorganisation to rationalise the structure of our Group in preparation for the listing of our Shares on the Stock Exchange, our Company became the holding company of our Group on 10 November 2011. The Reorganisation was completed by interspersing our Company, Huisheng (BVI), Hong Kong Huisheng between Hunan Huisheng and the shareholders of Hunan Huisheng. Our Group comprising our Company and its subsidiaries resulted from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation were set out in the paragraph headed "The Reorganisation" in the section headed "Corporate history, development and Reorganisation" in this prospectus.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant entities, where this is a shorter period. The consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 30 September 2013 present the assets and liabilities of the companies comprising our Group, which had been incorporated/established, at the end of each reporting period as if the group structure upon completion of the Reorganisation had been in existence at those dates.

The financial information is presented in Renminbi, which is the same as the functional currency of our Company.

FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OUR GROUP

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below.

Fluctuations in the supply and cost of hogs

One of the principal raw materials used in the production of our pork products are hogs procured from independent third party suppliers. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, approximately 93.8%, 94.0%, 94.9% and 94.9% of the total number of hogs that we slaughtered in the respective year/period were purchased from third party suppliers. The cost of hogs fluctuated during the Track Record Period and may rise sharply in the future. The average cost of hogs purchased from third party suppliers increased by approximately 19.3% from approximately RMB15.0 per kg for the year ended 31 December 2010 to approximately RMB17.9 per kg for the year ended 31 December 2011 and decreased by approximately 5.6% to approximately RMB16.9 per kg for the year ended 31 December 2012. The average cost of hogs purchased from third party suppliers decreased by approximately 1.8% from approximately RMB16.9 per kg for the nine months ended 30 September 2012 to approximately RMB16.6 per kg for the nine months ended 30 September 2013. Our results of operations could be affected by any fluctuation in the cost of hogs. We have not entered into any long term fixed-price supply contracts with the third party suppliers and the term of these contracts generally span for 12 months. Fluctuations in the costs of hogs and our ability to pass on any increase in the costs of hogs to our customers will affect our total costs of sales and our gross profit margins. In addition, our production schedule will be interrupted if we are unable to obtain sufficient quantity of hogs of acceptable price and quality on a timely basis.

During the Track Record Period, the cost of hogs purchased from third party suppliers accounted for over 96.0% of our raw materials cost. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of hogs purchased on our profit after taxation during the Track Record Period. Fluctuations in the cost of hogs purchased are assumed to be 1.8% and 19.3%, which are commensurate with historical fluctuations in the average costs of hogs purchased from third party suppliers during the Track Record Period:

Hypothetical fluctuation	-19.3%	-1.8%	+1.8%	+19.3%
Change in cost of hogs purchased (RMB'000)				
For the year ended 31 December 2010	(118,391)	(11,042)	11,042	118,391
For the year ended 31 December 2011	(165,946)	(15,477)	15,477	165,946
For the year ended 31 December 2012	(165,188)	(15,406)	15,406	165,188
For the nine months ended 30 September 2012	(125,369)	(11,692)	11,692	125,369
For the nine months ended 30 September 2013	(126,581)	(11,805)	11,805	126,581
Change in profit after taxation (RMB'000)				
For the year ended 31 December 2010	118,391	11,042	(11,042)	(118,391)
For the year ended 31 December 2011	165,946	15,477	(15,477)	(165,946)
For the year ended 31 December 2012	165,188	15,406	(15,406)	(165,188)
For the nine months ended 30 September 2012	125,369	11,692	(11,692)	(125,369)
For the nine months ended 30 September 2013	126,581	11,805	(11,805)	(126,581)

Our product portfolio

Our revenue is primarily derived from the sale of pork products, such as raw pork (fresh, chilled, frozen and side products), processed pork products (cured pork, sausages and other cured side products) and porkers. Our focus on pork products might expose our results of operations to fluctuations in our pork production volume and pricing in the pork industry in the PRC, which are subject to uncertainties at times. If for any reason our production volume, the quality or selling prices of our pork products are reduced, our results would be materially and adversely affected. In addition, we plan to increase our production volume and as such, if we are unable to increase our production of pork products at the rate we anticipate, our growth prospects could be negatively affected.

Changes in the fair value of biological assets

Our Group's financial results have been, and will continue to be, affected by changes in the fair value of our biological assets. Our Group recognised gain arising from changes in fair value less costs to sell of biological assets of approximately RMB1.1 million for the year ended 31 December 2010, and losses arising from changes in fair value less costs to sell of biological assets of approximately RMB0.1 million, RMB3.3 million and RMB0.8 million for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 respectively.

Fair value gain or losses represent fair value changes of biological assets (i.e. breeder hogs and porkers) due to the changes in the physical attributes and market-determined prices of biological assets. Our biological assets were revalued at each reporting date by the Valuer. For more information about the valuation methods adopted by the Valuer in valuing the biological assets, please refer to the paragraph headed "Biological assets" in this section below.

In applying these valuation methods, the Valuer has relied on a number of valuation parameters. The fair value of the biological assets could be affected if those valuation parameters vary. Our Directors expect that our financial results will continue to be affected by the changes in the fair value of our biological assets.

Regulatory environment

We are in the hog breeding, hog farming, hog slaughtering and pork processing industries, which require us to obtain and maintain various licences, permits and government approvals in the PRC, and comply with the relevant environmental laws and regulations of the PRC. We are also required to obtain various government approvals and comply with applicable hygiene and food safety standards in relation to our production process, premises and pork products. Our financial condition and results of operations will be adversely affected if we are unable to obtain and maintain relevant licences, permits and government approvals. We expect that we will continue to maintain our licences, permits and government approvals with our stringent quality and hygiene control standards and procedures and therefore we believe that we are well-positioned to benefit from the change in the PRC regulatory environment.

In addition, on the basis of Hunan Province's Embodiment to Implement National Hog Slaughtering Industry Development Plan Summary (2010–2015)* (湖南省貫徹《全國生豬屠宰行業發展規劃綱要(2010–2015年)》實施方案), which was promulgated on 13 July 2010, the total number of designated slaughterhouses in Hunan Province should be controlled within 120 by 2015. It encourages the establishment of modern and large slaughtering and processing enterprises and to develop pork processing and delivering enterprises.

PRC taxation and preferential tax treatment

The profit attributable to our Shareholders is affected by the amount of income tax that we pay and the level of preferential tax treatments to which we are entitled. The rate of income tax chargeable on our Group depends on the availability of preferential tax treatments. Termination or revision of various types of preferential tax treatments that our Group currently enjoys will have a negative impact on the results of operations and financial condition of our Group.

The rate of income tax chargeable on companies in the PRC may vary depending on the availability of preferential tax treatments or subsidies based on their industry or location. The current maximum PRC EIT rate chargeable on companies in the PRC is 25%. As a pork product producer, after satisfying the requisite requirements, the State Administration of Taxation of Wuling District of Changde* (常德市武陵區國家稅務局) has granted a waiver to Hunan Huisheng under the Corporate Income Tax Law 《企業所得稅法》, its implementation regulations, and the Notice Issued by Ministry of Finance and State Administration of Taxation in Relation to the Scope of Corporate Income Tax Preferential Treatment Policy Applicable to Agricultural Products Which Have Undergone Primary Processing (Trial)* 《財政部國家稅務總局關於發布享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》waiving its payment of the PRC EIT for years 2010, 2011, 2012 and 2013. If we fail to satisfy the requisite requirements for entitlement to the waiver of the PRC EIT tax in the future or if there is any change in the existing PRC policy relating to preferential tax treatments applicable to us, we may no longer be entitled to the preferential tax treatments currently enjoyed by us. There is no assurance that we will continue to receive the preferential tax treatments currently enjoyed by us in the future. Any loss or substantial reduction of the tax benefits enjoyed by us would adversely affect our financial condition and performance.

Force majeure events affecting customer demands

The outbreak of foot and mouth disease and influenza A (H1N1) in 2009 adversely affected the demand for pork products in late 2009 and until early 2010. Any outbreak of other serious animal diseases or epidemics in the PRC could result in material disruptions to our operations, or operations of our customers or suppliers or a decline in the food retail industry in the PRC as a result of fear of disease, any of which could have a material adverse effect on our operations and revenue.

In addition, as we are in the hog breeding, hog farming, hog slaughtering and pork processing industries, we may be directly required to suspend our business operation temporarily during any outbreak of swine diseases or other animal diseases. We or our Fattening Farmers may be required to exterminate large quantities of hogs if any of our live hogs are suspected to be infected. Our employees and staff may also be quarantined if they are identified as a possible source of spreading the disease.

As disclosed in the paragraphs headed "Overall hygiene standards control" and "Disease control" in the section headed "Our business" in this prospectus, our Group has imposed strict entry control to our Breeding Farms and Fattening Farms, and our staff are required to shower, change and disinfect themselves before entering our Breeding Farms and Fattening Farms. Where there is substantial risk of infection, we will carry out disinfection and immunisation in our Breeding Farms to prevent the spread of the disease. We believe that our strict control measures will minimise the risk of occurrence of diseases in our Breeding Farms and Fattening Farms.

Our Directors confirm that four piglets and two porkers in one of our Contract Farms were suspected to be infected by swine diseases in June 2011, causing death of one hog. Our Directors are of the view that due to the effective disinfection procedures adopted by our Group in our Breeding Farms and Fattening Farms, the infection had not spread out. Our Directors further confirm that our Group had not experienced any shortage or delay in the supply of hogs as a result of any outbreak of swine diseases or epidemics during the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group has identified below the accounting policies that it believes are the most critical to the preparation of its consolidated financial statements. For more details of our Group's accounting policies, please refer to Appendix I to this prospectus.

Revenue recognition

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

(i) Sale 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.

(ii) Service income

Service income is recognised when services are provided.

(iii) Interest income

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

Property, plant and equipment

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

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

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

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

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

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

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

Impairment losses

At the end of the reporting period, our Group reviews the carrying amounts of our 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, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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; or

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the 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 as profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Leasehold land and building

When a lease includes both land and building elements, our 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 our Group, unless it is clear that both elements are operating lease 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 statements 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.

Inventories

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the Track Record Period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the Track Record 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 any resultant gain or loss recognised as profit or loss for the year/period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost and excluding finance costs and income taxes. The fair value of hogs is determined based on its present location and condition and is determined independently by a professional valuer.

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

RESULTS OF OPERATIONS

Our consolidated statements of profit or loss and other comprehensive income for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 as set out below are derived from our consolidated financial statements included in Appendix I to this prospectus.

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	*% to revenue*	*RMB'000*	*% to revenue*	*RMB'000*	*% to revenue*	*RMB'000* (unaudited)	*% to revenue*	*RMB'000*	*% to revenue*
Revenue	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0
Cost of sales	(655,668)	86.9	(916,263)	85.3	(915,391)	87.4	(690,522)	87.5	(699,780)	87.0
Gross profit	98,500	13.1	157,629	14.7	132,229	12.6	98,998	12.5	104,121	13.0
Other income	416	0.1	1,530	0.1	1,737	0.2	1,532	0.2	1,681	0.2
Gain/(losses) arising from changes in fair value less costs to sell of biological assets	1,124	0.1	(45)	0.0	(3,327)	0.3	(3,987)	0.5	(799)	0.1
Selling and distribution expenses	(10,345)	1.4	(13,585)	1.3	(13,490)	1.3	(10,073)	1.3	(10,119)	1.3
Administrative expenses	(8,437)	1.1	(16,566)	1.5	(17,155)	1.6	(14,363)	1.8	(16,844)	2.1
Finance costs	(787)	0.1	(1,434)	0.1	(5,901)	0.6	(4,476)	0.6	(8,121)	1.0
Profit before taxation	80,471	10.7	127,529	11.9	94,093	9.0	67,631	8.6	69,919	8.7
Taxation	—	—	—	—	—	—	—	—	—	—
Profit for the year/period	80,471	10.7	127,529	11.9	94,093	9.0	67,631	8.6	69,919	8.7
Earnings per Share										
Basic and diluted *(RMB cents)*	26.8		42.5		31.4		22.5		23.3	

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

Revenue

Our revenue derives from sale of pork products, including fresh pork, chilled pork, frozen pork, side products and others. Our total revenue amounted to approximately RMB754.2 million, RMB1,073.9 million, RMB1,047.6 million and RMB803.9 million for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 respectively.

The following table sets out a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Fresh pork	252,001	33.4	360,442	33.6	372,322	35.5	276,423	35.0	355,782	44.3
Chilled pork	225,080	29.9	349,564	32.6	294,948	28.2	229,453	29.1	157,217	19.6
Frozen pork	178,696	23.7	228,243	21.3	239,123	22.8	178,213	22.6	183,414	22.8
Side products	97,646	12.9	127,157	11.7	137,373	13.1	104,167	13.2	103,871	12.9
Others *(Note)*	745	0.1	8,486	0.8	3,854	0.4	1,264	0.1	3,617	0.4
Total	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

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

The following table sets out the sales volume and average selling prices of our Group's major pork products (excluding processed pork products, porkers and slaughtering services) for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	('000 kg)	*('000 kg)*	*('000 kg)*	*('000 kg)*	*('000 kg)*
Sales volume					
— fresh pork	15,214	17,670	20,484	15,153	19,644
— chilled pork	13,641	17,306	16,316	12,722	8,609
— frozen pork	11,219	12,105	12,504	9,360	10,194
— side products	2,360	3,035	3,366	2,668	2,477
	42,434	50,116	52,670	39,903	40,924
	(RMB per kg)	*(RMB per kg)*	*(RMB per kg)*	*(RMB per kg)*	*(RMB per kg)*
Average selling prices					
— fresh pork	16.6	20.4	18.2	18.2	18.1
— chilled pork	16.5	20.2	18.1	18.0	18.3
— frozen pork	15.9	18.9	19.1	19.0	18.0
— side products	41.4	41.9	40.8	39.0	41.9

Note: Overall average selling price of our major pork products (excluding processed pork products, porkers and slaughtering services) for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 was approximately RMB17.8 per kg, RMB21.3 per kg, RMB19.8 per kg, RMB19.8 per kg and RMB19.6 per kg respectively.

During the Track Record Period, the sales volume of our major pork products increased in general and the increase was mainly due to our business expansion where we extended our sales network outside Hunan Province and increased our slaughtering volume as a result of the rising demand from our customers.

Driven by the increase in market demand for pork products, the overall average selling price of our major pork products increased from approximately RMB17.8 per kg for the year ended 31 December 2010 to approximately RMB21.3 per kg for the year ended 31 December 2011 mainly due to a shortage in the supply of finishers primarily attributable to (i) an outbreak of swine disease and (ii) some of the hog farms being driven out of the market because of the lower pork prices in 2010. The overall average selling price of our major pork products decreased slightly to approximately RMB19.8 per kg for the year ended 31 December 2012 which was in line with the overall market prices of pork in the PRC, and remained relatively stable at approximately RMB19.6 per kg for the nine months ended 30 September 2013.

While the average selling prices of our fresh pork, chilled pork and side products decreased for the year ended 31 December 2012 as compared to the year ended 31 December 2011, the average selling prices of our frozen pork increased slightly from approximately RMB18.9 per kg to approximately RMB19.1 per kg in the same year primarily attributable to the fact that we sold a greater proportion of the frozen pork with various cuts which entailed a higher average selling price during the year ended 31 December 2012.

During the Track Record Period, the average selling prices of our side products were higher than those of other major pork products primarily due to the fact that there is only one set of side products produced from each hog slaughtered which entails a higher average selling price per kg when compared to the average selling price per kg of other major pork products, namely fresh, chilled and frozen pork. Moreover, our Directors believe due to the different consumption patterns of side products and pork, the fluctuations in average selling prices of our side products are not directly correlated to those of other major pork products.

Our fresh and chilled pork was mainly sold to operators of Cooperative Retail Shops, pork product traders, wet market pork traders, supermarkets and food processing factories in Changde and other nearby cities in Hunan Province, and our frozen pork was mainly sold to pork product traders and food processing factories in nearby cities in Hunan Province and other regions of the PRC.

Others include revenue from the sale of processed pork products and sale of porkers to individual customers and Contract Farmers upon cessation of the cooperation agreements with them and provision of slaughtering services to individual slaughtermen.

The following table sets out a breakdown of our revenue by customer types during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Cooperative Retail Shop operators	126,976	16.8	201,926	18.8	216,585	20.7	159,143	20.2	215,456	26.8
Pork product traders	406,645	53.9	563,981	52.5	544,045	51.9	414,945	52.6	397,983	49.5
Wet market pork traders	138,868	18.4	178,575	16.6	150,729	14.4	111,856	14.2	132,960	16.5
Food processing factories	66,000	8.8	94,294	8.8	106,747	10.2	80,894	10.2	44,441	5.5
Supermarkets	15,613	2.1	30,948	2.9	29,184	2.8	22,368	2.8	11,315	1.4
Others *(Note)*	66	0.0	4,168	0.4	330	0.0	314	0.0	1,746	0.3
Total	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

Note: Others include individual customers and Contract Farmers for porkers and individual slaughtermen for slaughtering services.

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, we had a total of 20, 19, 30 and 23 customers who are operators of Cooperative Retail Shops respectively; meanwhile, the number of other independent customers, excluding the operators of Cooperative Retail Shops, was 135, 218, 212 and 145 respectively, for the same periods.

The total revenue of our Group increased from approximately RMB754.2 million for the year ended 31 December 2010 to approximately RMB1,073.9 million for the year ended 31 December 2011, representing an increase by approximately RMB319.7 million or 42.4%, which was primarily attributable to (i) an increase in sales to Cooperative Retail Shops by approximately 59.0% and (ii) an increase in sales to pork product traders by approximately 38.7%. While the number of operators of Cooperative Retail Shops reduced slightly from 20 for the year ended 31 December 2010 to 19 for the year ended 31 December 2011, the sales to Cooperative Retail Shops increased by approximately 59.0% which was due to the increase in both average selling prices and sales volume of our different types of pork products driven by the increasing demand for pork products in the PRC during the year ended 31 December 2011. Despite the decrease in the number of operators of Cooperative Retail Shops from 26 for the nine months ended 30 September 2012 to 23 for the nine months ended 30 September 2013, the sales to Cooperative Retail Shops increased by approximately 35.4% resulted from the increase in revenue from sale of fresh pork and chilled pork to these customers by approximately 39.6% and 21.4% respectively primarily attributable to the increase in average sales per Cooperative Retail Shop.

Regardless of the decrease in our revenue by approximately RMB26.3 million or 2.4% from approximately RMB1,073.9 million for the year ended 31 December 2011 to approximately RMB1,047.6 million for the year ended 31 December 2012 due to the decrease in overall average selling price of our major pork products, the sales volume of our major pork products increased by approximately 5.1% during the relevant period which was mainly contributed from the increase in sales to Cooperative Retail Shops and food processing factories.

The total revenue of our Group slightly increased by approximately 1.8% from approximately RMB789.5 million for the nine months ended 30 September 2012 to approximately RMB803.9 million for the nine months ended 30 September 2013 mainly attributable to the increase in the overall sales volume of our major pork products.

The following table sets out a breakdown of our revenue from customers by geographical locations in the PRC during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Hunan Province	615,669	81.6	917,466	85.4	880,865	84.1	666,499	84.4	691,224	86.0
Guangdong Province	110,189	14.6	113,339	10.6	117,394	11.2	82,334	10.4	79,321	9.9
Beijing City	13,205	1.8	16,428	1.5	15,021	1.4	12,092	1.5	16,257	2.0
Others	15,105	2.0	26,659	2.5	34,340	3.3	28,595	3.7	17,099	2.1
Total	754,168	100.0	1,073,892	100.0	1,047,620	100.0	789,520	100.0	803,901	100.0

Cost of sales

The following table sets out a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Raw materials										
— cost of hogs	607,998	92.7	862,976	94.2	856,637	93.6	646,647	93.6	653,755	93.4
— hog feed	23,075	3.5	23,809	2.6	26,586	2.9	20,217	3.0	20,871	3.0
Staff cost & benefits	8,614	1.3	9,638	1.1	11,083	1.2	7,827	1.1	8,468	1.2
Ancillary materials	2,431	0.4	2,654	0.3	2,935	0.3	2,084	0.3	2,428	0.4
Utilities	2,297	0.4	3,028	0.3	3,137	0.3	2,342	0.4	2,550	0.4
Depreciation & amortisation	1,790	0.3	1,785	0.2	1,971	0.2	1,433	0.2	1,600	0.2
Others	9,463	1.4	12,373	1.3	13,042	1.5	9,972	1.4	10,108	1.4
Total	655,668	100.0	916,263	100.0	915,391	100.0	690,522	100.0	699,780	100.0

Our cost of sales consists of raw materials, staff cost and benefits, ancillary materials, utilities, depreciation and amortisation and others. Our raw materials cost represented over 96.0% of our total cost of sales during the Track Record Period.

The raw materials cost principally consists of cost of hogs purchased from third party suppliers and the breeding cost incurred by our Breeding Farms and Fattening Farms, which mainly represented hog feed consumed. Staff cost and benefits mainly represent wages, insurance and other employee benefits of our production workers. Ancillary materials cost primarily consists of costs for packaging and consumables. Utilities mainly include costs for electricity, water and maintenance. Depreciation and amortisation represent the depreciation of our production facilities and amortisation of prepaid lease payments. Others include health medicine and vaccine for our hogs and other operating expenses.

During the Track Record Period, the raw materials cost maintained at a stable level, representing approximately 96.2%, 96.8%, 96.5%, 96.6% and 96.4% of our total cost of sales for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 respectively. The cost of hogs amounted to approximately RMB608.0 million, RMB863.0 million, RMB856.6 million, RMB646.6 million and RMB653.8 million for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 respectively, which in aggregate accounted for over 92.0% of our cost of sales during the Track Record Period. The average cost of hogs purchased from third party suppliers amounted to approximately RMB15.0 per kg, RMB17.9 per kg, RMB16.9 per kg, RMB16.9 per kg and RMB16.6 per kg respectively for each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 which increased by approximately 10.7% from the year ended 31 December 2010 to the nine months ended 30 September 2013 due to the overall increase in hog prices in the PRC.

Gross profit and gross profit margin

The following table sets out the total gross profit and gross profit margin by product categories during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	Gross profit RMB'000	*Gross profit margin (%)*	*Gross profit RMB'000*	*Gross profit margin (%)*	*Gross profit RMB'000*	*Gross profit margin (%)*	*Gross profit RMB'000* (unaudited)	*Gross profit margin (%)*	*Gross profit RMB'000*	*Gross profit margin (%)*
Fresh pork	19,066	7.6	41,387	11.4	19,706	5.3	16,315	5.9	23,771	6.7
Chilled pork	15,768	7.0	36,554	10.5	13,468	4.6	10,662	4.6	11,074	7.0
Frozen pork	2,343	1.3	4,344	1.9	18,214	7.6	13,416	7.5	6,894	3.8
Side products	61,541	63.0	72,400	56.9	79,472	57.9	58,391	56.1	62,012	59.7
Others *(Note)*	(218)	(29.3)	2,944	34.7	1,369	35.5	214	16.9	370	10.2
Total	98,500	13.1	157,629	14.7	132,229	12.6	98,998	12.5	104,121	13.0

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

Gross profit margins of our different products are mainly affected by different production processes involved. For instance, frozen pork products generally entail higher average cost per kg as it usually involves carving process as well as freezing process. The higher gross profit margins of our side products as compared to those of other major pork products and the fluctuation in the gross profit margins of side products during the Track Record Period were primarily attributable to the higher average selling price and different consumption patterns as discussed in the paragraph headed "Revenue" above.

The following table sets out the gross profit margins of our pork products produced from hogs procured from third party suppliers and hogs farmed by our Breeding Farms and Fattening Farms during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	Gross profit margin %	*Gross profit margin %*	*Gross profit margin %*	*Gross profit margin %* (unaudited)	*Gross profit margin %*
Pork products produced from:					
— Hogs procured from third party suppliers	12.9	13.7	12.0	11.9	13.0
— Hogs farmed by our Breeding Farms and Fattening Farms	18.4	36.7	27.9	30.5	16.3

The gross profit margin of our pork products produced from hogs farmed by our Breeding Farms and Fattening Farms was generally higher than that produced from hogs procured from third party suppliers during the Track Record Period. The gross profit margins of our pork products produced from hogs procured from third party suppliers remained relatively stable during the Track Record Period as the fluctuations in cost of hogs purchased from third party suppliers were driven by market force and generally in line with the fluctuations in selling price of pork products during the respective periods. Meanwhile, the gross profit margins of our pork products produced from hogs farmed by our Breeding Farms and Fattening Farms were volatile during the Track Record Period as the cost of hogs farmed by our Breeding Farms and Fattening Farms (which mainly comprised breeding cost incurred by our Breeding Farms and Fattening Farms, such as cost of hog feed and service fees paid to Fattening Farms) as well as the operating cost of our Breeding Farms were not directly affected by market price of pork products and remained relatively stable in proportion to the respective cost of sales; hence, the gross profit margins of such pork products fluctuated mainly due to the change in average selling prices of our major pork products during the respective periods.

The gross profit margin of our pork products produced from hogs farmed by our Breeding Farms and Fattening Farms decreased from approximately 27.9% for the year ended 31 December 2012 to approximately 16.3% for the nine months ended 30 September 2013, which was primarily attributable to an increase in average cost of hogs farmed by our Breeding Farms and Fattening Farms by approximately 14.0% from approximately RMB14.3 per kg for the year ended 31 December 2012 to approximately RMB16.3 per kg for the nine months ended 30 September 2013. The increase in average cost of hogs farmed by our Breeding Farms and Fattening Farms during the nine months ended 30 September 2013 was mainly attributable to (i) the reduced number of hogs output for the nine months ended 30 September 2013 as a result of the cessation of cooperation agreements with two Contract Farmers in the second quarter of 2013, and additional sows were farmed in our Health Breeding Farm during this period to prepare for the increasing number of Fattening Farms and to compensate the reduced farming capacity upon cessation of cooperation agreements with Contract Farmers, meanwhile, not all of our porkers had become finishers for slaughtering and sale. Therefore, our fixed costs incurred in the breeding and farming process, including staff cost, depreciation cost, utilities cost and feed cost for breeder hogs, were spread over such reduced number of hogs output for the nine months ended 30 September 2013 as compared to the year ended 31 December 2012; (ii) the increase in average direct labour cost by approximately 17.3% for the nine months ended 30 September 2013 due to the recruitment of additional production staff for the preparation of operation of our Linli New Breeding Farm and New Production Base; and (iii) the increase in average cost of hog feed by approximately 2.5% for the nine months ended 30 September 2013 as compared to the year ended 31 December 2012.

Other income

Our other income primarily consists of interest income, government grants and net gains from selling of non-current biological assets. The net gains from selling of non-current biological assets mainly represent the sale of culled breeder hogs and the sale of breeder hogs to Contract Farmers upon cessation of the cooperation agreements with them.

Our Group received government grants of approximately RMB48,000, RMB370,000, RMB102,000 and RMB160,000 for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 respectively. The government grants mainly consisted of (i) a recurring subsidy, namely harmless disposal of live hogs* (生豬無害化處理), which was granted to our Group for the proper treatment of ill hogs; and (ii) non-recurring subsidies such as funds of approximately RMB100,000 for the development of our brand "歪脖脖" (品牌獎金), which was awarded to our Group in the year ended 31 December 2012 as an appreciation to our Group for developing and maintaining our own branded pork products, and subsidy of approximately RMB20,000 for food price adjustment (物價調整), which was awarded to our Group in the year ended 31 December 2011 as an incentive to our Group to maintain pork products price at a relatively stable level in light of the inflation in the PRC.

Gain/(losses) arising from changes in fair value less costs to sell of biological assets

The change in fair value less costs to sell of biological assets represents fair value changes of the biological assets (i.e. breeder hogs and porkers) due to the changes in physical attributes and market-determined prices of biological assets. During the Track Record Period, our biological assets were revalued at each reporting date by the Valuer, with any resultant gain or loss recognised in profit or loss for the year/period in which it arose. For more information about the valuation method adopted by the Valuer, please refer to the paragraph headed "Biological assets" in this section below.

The fair value less costs to sell of biological assets are determined using the market approach with reference to the selling prices less costs to sell. Selling prices represent the prevailing market price of hogs of similar breed or genetic merit. 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.

We recognised gain arising from changes in fair value less costs to sell of biological assets of approximately RMB1.1 million for the year ended 31 December 2010, and losses arising from changes in fair value less costs to sell of biological assets of approximately RMB0.1 million, RMB3.3 million and RMB0.8 million for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 respectively. If the gain/losses arising from changes in fair value less costs to sell of biological assets were excluded, our Group's profit after taxation for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 would be approximately RMB79.3 million, RMB127.6 million, RMB97.4 million and RMB70.7 million respectively. Moreover, as at 31 December 2010, 2011, 2012 and 30 September 2013, our Group's biological assets amounted to approximately RMB16.8 million, RMB14.1 million, RMB14.3 million and RMB13.9 million respectively. Our biological assets as a percentage to our net asset value as at the end of each reporting period during the Track Record Period were approximately 13.9%, 6.8%, 4.7% and 3.2% respectively.

Selling and distribution expenses

The following table sets out our selling and distribution expenses during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff costs	5,777	55.8	7,964	58.6	8,027	59.5	5,991	59.5	6,183	61.1
Transportation costs	2,966	28.7	3,992	29.4	3,907	29.0	2,979	29.6	2,803	27.7
Promotional expenses	978	9.5	960	7.1	909	6.7	609	6.0	861	8.5
Others	624	6.0	669	4.9	647	4.8	494	4.9	272	2.7
Total	10,345	100.0	13,585	100.0	13,490	100.0	10,073	100.0	10,119	100.0

Selling and distribution expenses primarily consist of staff costs, transportation costs, promotional expenses and other sales-related expenses. Staff costs accounted for the largest portion of our selling and distribution expenses during the Track Record Period. For the year ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2013, we had 56, 56, 55 and 55 sales staff in our sales team respectively.

Our selling and distribution expenses were approximately RMB10.3 million, RMB13.6 million, RMB13.5 million and RMB10.1 million for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 respectively. As a percentage of total revenue, our selling and distribution expenses remained relatively stable at approximately 1.4%, 1.3%, 1.3% and 1.3% during the respective periods.

Administrative expenses

The following table sets out our administrative expenses during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff costs	5,013	59.4	6,353	38.4	6,118	35.7	4,591	32.0	4,461	26.5
Depreciation and amortisation	399	4.7	627	3.8	1,211	7.1	873	6.1	945	5.6
Travel and entertainment expenses	724	8.6	1,209	7.3	1,104	6.4	773	5.4	1,039	6.2
Legal and professional fees	399	4.7	6,167	37.2	6,242	36.4	6,162	42.9	7,818	46.4
PRC tax levy	420	5.0	537	3.2	685	4.0	545	3.8	526	3.1
Rental expenses	75	0.9	118	0.7	72	0.4	72	0.5	74	0.4
Others	1,407	16.7	1,555	9.4	1,723	10.0	1,347	9.3	1,981	11.8
Total	8,437	100.0	16,566	100.0	17,155	100.0	14,363	100.0	16,844	100.0

Administrative expenses primarily consist of staff costs, depreciation of property, plant and equipment, amortisation of prepaid lease payments, travel and entertainment expenses, legal and professional fees and other administration-related expenses. One of the major components of our administrative expenses for the two years ended 31 December 2012 and the nine months ended 30 September 2013 was legal and professional fees incurred for the services rendered by different professional parties for the preparation of the Listing.

Listing expenses

The listing expenses to be borne by our Company are estimated to be approximately RMB31.5 million, of which approximately RMB7.9 million is directly attributable to the Global Offering and to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately RMB23.6 million is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which approximately RMB5.2 million, RMB6.0 million and RMB6.8 million were charged to the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 respectively, and approximately RMB5.6 million is expected to be charged after the Track Record Period.

The estimated listing expenses are the latest best estimate for reference only and subject to adjustments based on the actual amount incurred or to be incurred. Our results of operations are expected to be adversely affected by the non-recurring listing expenses to be incurred.

Finance costs

Our Group's finance costs primarily represent interest expense on borrowings and notes payable. For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, our finance costs amounted to approximately RMB0.8 million, RMB1.4 million, RMB5.9 million and RMB8.1 million respectively. The increase in finance costs during the Track Record Period was mainly attributable to the increase in the balance of borrowings and notes payable and average interest rate on borrowings during the respective periods.

Taxation

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. No provision for Hong Kong profits tax has been made as our Group's income neither arises nor is derived from Hong Kong.

As advised by our PRC Legal Advisers, Hunan Huisheng is entitled to the exemption of the PRC EIT and VAT for sale of pork products produced from hogs bred and farmed by Hunan Huisheng (which Hunan Huisheng has not applied for) during the Track Record Period according to the following tax laws of the PRC:

- Article 27 (1) of the PRC EIT Law
- Article 86 (1) of the Implementation Regulations of the PRC EIT Law* (《中華人民共和國企業所得稅法實施條例》)
- Article 2 (1) of the Notice on the Scope of Corporate Income Tax Preferential Treatment Policy Applicable to Agricultural Products Which Have Undergone Primary Processing (Trial)* (《財政部國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》)
- Article 2 (1) of the Supplemental Notice on Scope of Corporate Income Tax Preferential Treatment Policy Applicable to Agricultural Products Which Have Undergone Primary Processing* (《關於享受企業所得稅優惠的農產品初加工有關範圍的補充通知》)
- Article 15 (1) of Provisional Regulations of VAT of the PRC (《中華人民共和國增值稅暫行條例》)

The PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. Under the PRC EIT Law and Implementation Regulations of the PRC EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards. According to the Notice Issued by Ministry of Finance and State Administration of Taxation in Relation to the Scope of Corporate Income Tax Preferential Treatment Policy Applicable to Agricultural Products Which Have Undergone Primary Processing (Trial)* 《財政部國家稅務總局關於發布享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》, incomes of enterprises arising from breeding and farming of hogs (including sale of pork products produced from hogs bred and farmed by our Group) and the primary processing of agricultural products and livestock breeding are exempt from the PRC EIT. The State Administration of Taxation of Wuling

District of Changde City, being the competent authority as advised by our PRC Legal Advisers, agreed that Hunan Huisheng was exempted from the PRC EIT for years 2010, 2011, 2012 and 2013 pursuant to the above mentioned notice. As advised by our PRC Legal Advisers, as the business scope of Linli JV is hog breeding and farming, it also qualifies for exemption from the PRC EIT but shall be subject to approval from the relevant PRC tax authority.

We are required to file the applications for the exemption of the PRC EIT to the relevant regulatory authority every year so as to obtain approvals for such exemption. Save for income to be derived from the sale of processed pork products according to our future expansion plans, such as cooked pork, quick frozen food and pork bones-related products, which does not fall into the category of primary processing of agricultural products as advised by our PRC Legal Advisers, on the basis that our operations of sale of pork products produced from hogs bred and farmed by us, hog slaughtering and pork processing will remain unchanged and the relevant laws and rules in relation to the exemption of the PRC EIT is assumed to remain unchanged, our Directors are of the view that we will continue to be entitled to the exemption of the PRC EIT.

Earnings per Share

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013, our basic earnings per Share were approximately RMB26.8 cents, RMB42.5 cents, RMB31.4 cents, RMB22.5 cents and RMB23.3 cents respectively. The calculation of our basic earnings per Share during the Track Record Period is based on the profit for the year/period attributable to owners of our Company during the Track Record Period and on the assumption that 300,000,000 ordinary Shares had been outstanding during the Track Record Period. The change of our basic earnings per Share during the Track Record Period was mainly attributable to the change in profit for the year/period as discussed in the paragraph headed "Period to period comparison of results of operations" in this section below.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 30 September 2013 compared to nine months ended 30 September 2012

Revenue

Our revenue increased by approximately RMB14.4 million or 1.8% from approximately RMB789.5 million for the nine months ended 30 September 2012 to approximately RMB803.9 million for the nine months ended 30 September 2013. The increase in revenue was primarily attributable to the increase in overall sales volume of our major pork products by approximately 2.6% partially offset by the slight decrease in overall average selling prices of our major pork products by approximately 1.0% for the nine months ended 30 September 2013 as compared to the nine months ended 30 September 2012.

- *Fresh pork*

  Our revenue from sale of fresh pork increased by approximately RMB79.4 million or 28.7% from approximately RMB276.4 million for the nine months ended 30 September 2012 to approximately RMB355.8 million for the nine months ended 30 September 2013 as a result of the increase in sales volume of our fresh pork by approximately 29.6% mainly attributable to the increase in sale of fresh pork to operators of Cooperative Retail Shops, pork product traders and wet market pork traders.

Though the number of total customers related to the sale of our fresh pork decreased from 85 for the nine months ended 30 September 2012 to 71 for the nine months ended 30 September 2013, the average sales per customer related to sale of our fresh pork increased in the nine months ended 30 September 2013 as compared to the nine months ended 30 September 2012. Given the limited production capacity of our Wuling Slaughterhouse, we prioritised the supply of our pork products to our major customers to maintain stable business relationship with them.

- *Chilled pork*

Our revenue from sale of chilled pork decreased by approximately RMB72.3 million or 31.5% from approximately RMB229.5 million for the nine months ended 30 September 2012 to approximately RMB157.2 million for the nine months ended 30 September 2013 which was primarily attributable to the increase in sales volume of fresh pork during the same period as discussed above. Given the limited production capacity of our Wuling Slaughterhouse, the sales volume of our chilled pork decreased by approximately 32.3% in the nine months ended 30 September 2013 as compared to the nine months ended 30 September 2012.

- *Frozen pork*

Our revenue from sale of frozen pork increased slightly by approximately RMB5.2 million or 2.9% from approximately RMB178.2 million for the nine months ended 30 September 2012 to approximately RMB183.4 million for the nine months ended 30 September 2013 which was due to the increase in sales volume of our frozen pork by approximately 8.9% driven by the increase in sales to pork product traders. Though the number of customers who were pork product traders related to sale of our frozen pork decreased from 32 for the nine months ended 30 September 2012 to 23 for the nine months ended 30 September 2013, the average sales per pork product trader increased in the nine months ended 30 September 2013 as compared to the nine months ended 30 September 2012.

- *Side products*

Our revenue from sale of side products remained stable at approximately RMB104.2 million and RMB103.9 million for the nine months ended 30 September 2012 and 2013 respectively.

Cost of sales

Our cost of sales increased slightly by approximately RMB9.3 million or 1.3% from approximately RMB690.5 million for the nine months ended 30 September 2012 to approximately RMB699.8 million for the nine months ended 30 September 2013. Such increase was primarily attributable to the increase in cost of hogs by approximately RMB7.1 million or 1.1%, from approximately RMB646.6 million for the nine months ended 30 September 2012 to approximately RMB653.8 million for the nine months ended 30 September 2013, resulted from the increase in overall sales volume of our major pork products as discussed in the paragraph headed “Revenue” above.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB5.1 million or 5.2% from approximately RMB99.0 million for the nine months ended 30 September 2012 to approximately RMB104.1 million for the nine months ended 30 September 2013 which was in line with the increase in our revenue mainly due to the increase in overall sales volume of our major pork products. Our gross profit margin increased slightly from approximately 12.5% for the nine months ended 30 September 2012 to approximately 13.0% for the nine months ended 30 September 2013 which was primarily attributable to the decrease in average cost of hogs purchased from third party suppliers per kg resulted from the decrease in market price of hogs during the nine months ended 30 September 2013, and such decrease was at a greater extent than the decrease in overall average selling prices per kg for our major pork products.

- *Fresh pork*

  Our gross profit from fresh pork increased by approximately RMB7.5 million or 46.0% from approximately RMB16.3 million for the nine months ended 30 September 2012 to approximately RMB23.8 million for the nine months ended 30 September 2013 which was in line with the increase in revenue from sale of fresh pork mainly attributable to the increase in sales volume of such product. Our gross profit margin from fresh pork increased from approximately 5.9% for the nine months ended 30 September 2012 to 6.7% for the nine months ended 30 September 2013 primarily attributable to the decrease in average cost of hogs purchased per kg at a greater extent than the decrease in average selling prices per kg for our fresh pork.

- *Chilled pork*

  Our gross profit from chilled pork increased by approximately RMB0.4 million or 3.7% from approximately RMB10.7 million for the nine months ended 30 September 2012 to approximately RMB11.1 million for the nine months ended 30 September 2013 which was mainly due to the increase in average selling price of chilled pork by approximately 1.7%. The gross profit margin from chilled pork increased from approximately 4.6% for the nine months ended 30 September 2012 to approximately 7.0% for the nine months ended 30 September 2013 primarily attributable to the decrease in average cost of hogs purchased per kg as discussed above and the increase in average selling prices per kg for our chilled pork.

- *Frozen pork*

  Our gross profit from frozen pork decreased by approximately RMB6.5 million or 48.5% from approximately RMB13.4 million for the nine months ended 30 September 2012 to approximately RMB6.9 million for the nine months ended 30 September 2013 and the gross profit margin from frozen pork also decreased from approximately 7.5% for the nine months ended 30 September 2012 to approximately 3.8% for the nine months ended 30 September 2013 primarily attributable to the decrease in the average selling price of our frozen pork by approximately 5.3% during the period.

- *Side products*

  Our gross profit from side products increased by approximately RMB3.6 million or 6.2% from approximately RMB58.4 million for the nine months ended 30 September 2012 to approximately RMB62.0 million for the nine months ended 30 September 2013 and our gross profit margin from side products also increased from approximately 56.1% for the nine months ended 30 September 2012 to approximately 59.7% for the nine months ended 30 September 2013. The gross profit and gross profit margin from side products increased primarily attributable to the increase in average selling price of our side products by approximately 7.4% during the period.

Other income

Our other income increased slightly by approximately RMB0.2 million or 13.3% from approximately RMB1.5 million for the nine months ended 30 September 2012 to approximately RMB1.7 million for the nine months ended 30 September 2013 primarily attributable to the increase in net gains from selling of non-current biological assets in the nine months ended 30 September 2013.

Losses arising from changes in fair value less costs to sell of biological assets

The losses arising from changes in fair value less costs to sell of biological assets decreased by approximately RMB3.2 million or 80.0% from approximately RMB4.0 million for the nine months ended 30 September 2012 to approximately RMB0.8 million for the nine months ended 30 September 2013 mainly attributable to a more significant decrease in market price of hogs in the PRC in the nine months ended 30 September 2012 when compared to that in the nine months ended 30 September 2013.

Selling and distribution expenses

Our selling and distribution expenses remained stable at approximately RMB10.1 million for the nine months ended 30 September 2012 and 2013. Our selling and distribution expenses as a percentage to revenue remained stable at approximately 1.3% for the nine months ended 30 September 2012 and 2013.

Administrative expenses

Our administrative expenses increased by approximately RMB2.4 million or 16.7% from approximately RMB14.4 million for the nine months ended 30 September 2012 to approximately RMB16.8 million for the nine months ended 30 September 2013. The increase was primarily due to the increase in legal and professional fees from approximately RMB6.2 million for the nine months ended 30 September 2012 to approximately RMB7.8 million for the nine months ended 30 September 2013 primarily related to listing expenses incurred in accordance with the terms of contracts entered into with respective professional parties.

Finance costs

Our finance costs increased by approximately RMB3.6 million or 80.0% from approximately RMB4.5 million for the nine months ended 30 September 2012 to approximately RMB8.1 million for the nine months ended 30 September 2013 primarily attributable to interest charged on the notes of RMB60.0 million we issued in January 2013.

Profit for the period and net profit margin

Our profit increased by approximately RMB2.3 million or 3.4% from approximately RMB67.6 million for the nine months ended 30 September 2012 to approximately RMB69.9 million for the nine months ended 30 September 2013. Our net profit margin slightly increased from approximately 8.6% for the nine months ended 30 September 2012 to approximately 8.7% for the nine months ended 30 September 2013. The increase in net profit and net profit margin was mainly attributable to the increase in both our revenue and gross profit margin as discussed above.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our revenue decreased by approximately RMB26.3 million or 2.4% from approximately RMB1,073.9 million for the year ended 31 December 2011 to approximately RMB1,047.6 million for the year ended 31 December 2012. The decrease in our revenue was primarily attributable to the decrease in overall average selling prices of our major pork products by approximately 7.0% driven by the overall decrease in market price of pork in the PRC, partially offset by the increase in total sales volume of our major pork products by approximately 5.1% for the year ended 31 December 2012 as compared to the year ended 31 December 2011.

- *Fresh pork*

  Our revenue from fresh pork increased by approximately RMB11.9 million or 3.3% from approximately RMB360.4 million for the year ended 31 December 2011 to approximately RMB372.3 million for the year ended 31 December 2012 as a result of the increase in sales volume of our fresh pork by approximately 15.9% mainly attributable to the increase in sales to operators of Cooperative Retail Shops. The number of customers who were operators of Cooperative Retail Shops related to sale of our fresh pork increased from 15 for the year ended 31 December 2011 to 23 for the year ended 31 December 2012.

- *Chilled pork*

  Our revenue from chilled pork decreased by approximately RMB54.7 million or 15.6% from approximately RMB349.6 million for the year ended 31 December 2011 to approximately RMB294.9 million for the year ended 31 December 2012 which was primarily attributable to the decrease in average selling price and sales volume of our chilled pork by approximately 10.4% and 5.7% respectively. The decrease in average selling price of our chilled pork was in line with the overall decrease in market price of pork in the PRC. The decrease in sales volume of our chilled pork was mainly due to the increase in sales volume of fresh pork for the year ended 31 December 2012 given our limit in the production capacity of our Wuling Slaughterhouse.

- *Frozen pork*

  Our revenue from frozen pork increased by approximately RMB10.9 million or 4.8% from approximately RMB228.2 million for the year ended 31 December 2011 to approximately RMB239.1 million for the year ended 31 December 2012 due to the increase in sales volume of our frozen pork by approximately 3.3% which was primarily attributable to our continuous sales efforts in Hunan and Guangdong Provinces. The number of customers related to sale of our frozen pork in Hunan and Guangdong Provinces increased from 31 for the year ended 31 December 2011 to 40 for the year ended 31 December 2012.

- *Side products*

  Our revenue from side products increased by approximately RMB10.2 million or 8.0% from approximately RMB127.2 million for the year ended 31 December 2011 to approximately RMB137.4 million for the year ended 31 December 2012 primarily due to the increase in sale volume by approximately 10.9% mainly attributable to the increase in sales to pork product traders as the number of pork product traders related to sale of our side products increased from 13 for the year ended 31 December 2011 to 16 for the year ended 31 December 2012. This was partially offset by the decrease in average selling price of our side products by approximately 2.6% driven by the overall decrease in market price of pork in the PRC.

Cost of sales

Our cost of sales decreased slightly by approximately RMB0.9 million or 0.1% from approximately RMB916.3 million for the year ended 31 December 2011 to approximately RMB915.4 million for the year ended 31 December 2012. Such decrease was primarily attributable to the decrease in cost of hogs by approximately RMB6.3 million or 0.7% from approximately RMB863.0 million for the year ended 31 December 2011 to approximately RMB856.6 million for the year ended 31 December 2012 resulted from the decrease in average cost of hogs purchased by approximately RMB1.0 per hog or 5.6% during the year due to the overall decrease in market price of hogs in the PRC.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB25.4 million or 16.1% from approximately RMB157.6 million for the year ended 31 December 2011 to approximately RMB132.2 million for the year ended 31 December 2012 which was primarily attributable to the decrease in our revenue and our gross profit margin. Our gross profit margin also decreased from approximately 14.7% for the year ended 31 December 2011 to approximately 12.6% for the year ended 31 December 2012 primarily attributable to the decrease in average selling prices per kg for our major pork products driven by the overall decrease in market price of pork in the PRC while our average cost of hogs purchased from third party suppliers per kg decreased at a smaller extent during the year ended 31 December 2012.

- *Fresh pork*

  Our gross profit from fresh pork decreased by approximately RMB21.7 million or 52.4% from approximately RMB41.4 million for the year ended 31 December 2011 to approximately RMB19.7 million for the year ended 31 December 2012 which was primarily due to the decrease in our gross profit margin of fresh pork from approximately 11.4% for the year ended 31 December 2011 to approximately 5.3% for the year ended 31 December 2012 primarily attributable to the decrease in average selling prices of our fresh pork at a greater extent than the decrease in average cost of hogs purchased as discussed above.

- *Chilled pork*

  Our gross profit from chilled pork decreased by approximately RMB23.1 million or 63.1% from approximately RMB36.6 million for the year ended 31 December 2011 to approximately RMB13.5 million for the year ended 31 December 2012 which was primarily due to the decrease in revenue and gross profit margin of chilled pork. The gross profit margin of chilled pork decreased from approximately 10.5% for the year ended 31 December 2011 to approximately 4.6% for the year ended 31 December 2012 primarily attributable to the decrease in average selling prices of our chilled pork at a greater extent than the decrease in average cost of hogs purchased as discussed above.

- *Frozen pork*

  Our gross profit from frozen pork increased by approximately RMB13.9 million or 323.3% from approximately RMB4.3 million for the year ended 31 December 2011 to approximately RMB18.2 million for the year ended 31 December 2012 which was primarily due to the increase in revenue and gross profit margin of our frozen pork. The gross profit margin of frozen pork increased from approximately 1.9% for the year ended 31 December 2011 to approximately 7.6% for the year ended 31 December 2012 due to the combined effect of the decrease in average cost of hogs purchased and the increase in average selling prices of our frozen pork which was primarily attributable to the increase in sales volume of certain cuts of frozen pork product which has a comparatively higher average selling price.

- *Side products*

  Our gross profit from side products increased by approximately RMB7.1 million or 9.8% from approximately RMB72.4 million for the year ended 31 December 2011 to approximately RMB79.5 million for the year ended 31 December 2012 which was in line with the increase in revenue from side products by approximately 8.0%. The gross profit margin of side products remained stable at approximately 56.9% and 57.9% for the year ended 31 December 2011 and 2012 respectively.

Other income

Our other income increased by approximately RMB0.2 million or 13.3% from approximately RMB1.5 million for the year ended 31 December 2011 to approximately RMB1.7 million for the year ended 31 December 2012. The increase was primarily attributable to the increase in interest income which resulted from the increase in average bank deposits from approximately RMB125.9 million in 2011 to approximately RMB222.4 million in 2012.

Losses arising from changes in fair value less costs to sell of biological assets

We recorded losses arising from changes in fair value less costs to sell of biological assets of approximately RMB0.1 million and RMB3.3 million for the years ended 31 December 2011 and 2012 respectively. The loss recorded for the year ended 31 December 2011 was primarily due to the decrease in average age of porkers kept in our Breeding Farms and Fattening Farms as at 31 December 2011 as compared to that as at 31 December 2010, whereas the loss recorded for the year ended 31 December 2012 was primarily due to the overall decrease in the market price of hogs in the PRC during this year.

Selling and distribution expenses

Our selling and distribution expenses slightly decreased by approximately RMB0.1 million or 0.7% from approximately RMB13.6 million for the year ended 31 December 2011 to approximately RMB13.5 million for the year ended 31 December 2012 which was in line with the decrease in revenue by approximately 2.4% over the same period. Our selling and distribution expenses as a percentage to revenue remained stable at approximately 1.3% for both years.

Administrative expenses

Our administrative expenses increased by approximately RMB0.6 million or 3.6% from approximately RMB16.6 million for the year ended 31 December 2011 to approximately RMB17.2 million for the year ended 31 December 2012. Such increase was primarily due to the increase in depreciation and amortisation from approximately RMB0.6 million for the year ended 31 December 2011 to approximately RMB1.2 million for the year ended 31 December 2012 which was attributable to the increase in depreciation on property, plant and equipment and amortisation of prepaid lease payments related to the New Production Base.

Finance costs

Our finance costs significantly increased by approximately RMB4.5 million or 321.4% from approximately RMB1.4 million for the year ended 31 December 2011 to approximately RMB5.9 million for the year ended 31 December 2012 which was primarily attributable to a loan from a financial institution of approximately RMB45.1 million drawn down by the end of 2011.

Profit for the year and net profit margin

Our profit decreased by approximately RMB33.4 million or 26.2% from approximately RMB127.5 million for the year ended 31 December 2011 to approximately RMB94.1 million for the year ended 31 December 2012. Our net profit margin also decreased from approximately 11.9% for the year ended 31 December 2011 to approximately 9.0% for the year ended 31 December 2012. The decrease in net profit and net profit margin was mainly attributable to the greater amount of losses recognised from changes in fair value less costs to sell of biological assets and the decrease in gross profit margin as discussed above.

Year ended 31 December 2011 compared to year ended 31 December 2010

Revenue

Our revenue increased by approximately RMB319.7 million or 42.4% from approximately RMB754.2 million for the year ended 31 December 2010 to approximately RMB1,073.9 million for the year ended 31 December 2011, which was primarily attributable to the increase in the sales volume of our major pork products by approximately 18.1% and the increase in overall average selling price of our major products by approximately 19.7% which our Directors believe both increases were mainly driven by the increasing demand of pork products in the PRC thus the rapid increase in the overall market price of pork in the PRC. Our total number of customers also increased from 155 for the year ended 31 December 2010 to 237 for the year ended 31 December 2011.

- *Fresh pork*

  Our revenue from fresh pork increased by approximately RMB108.4 million or 43.0% from approximately RMB252.0 million for the year ended 31 December 2010 to approximately RMB360.4 million for the year ended 31 December 2011 due to the increase in our sales volume of fresh pork by approximately 16.1% which was primarily attributable to the increase in our sales to Cooperative Retail Shops and the increase in our average selling price of fresh pork by approximately 22.9%.

- *Chilled pork*

  Our revenue from chilled pork increased by approximately RMB124.5 million or 55.3% from approximately RMB225.1 million for the year ended 31 December 2010 to approximately RMB349.6 million for the year ended 31 December 2011 due to the increase in our sales volume of chilled pork by approximately 26.9% which was primarily contributed from the increase in our sales to pork product traders in Hunan Province in the year ended 31 December 2011 and the increase in average selling price of chilled pork by approximately 22.4%.

- *Frozen pork*

  Our revenue from frozen pork increased by approximately RMB49.5 million or 27.7% from approximately RMB178.7 million for the year ended 31 December 2010 to approximately RMB228.2 million for the year ended 31 December 2011 due to the increase in our sales volume of frozen pork by approximately 7.9% which was primarily contributed from the increase in our sales in cities of Hunan Province other than Changde as well as outside of Hunan Province such as Beijing City, Sichuan Province, Shandong Province, Fujian Province, etc to pork product traders in the year ended 31 December 2011.

- *Side products*

  Our revenue from side products increased by approximately RMB29.6 million or 30.3% from approximately RMB97.6 million for the year ended 31 December 2010 to approximately RMB127.2 million for the year ended 31 December 2011 primarily due to the increase in our sales volume of side products by approximately 28.6%.

Cost of sales

Our cost of sales increased by approximately RMB260.6 million or 39.7%, from approximately RMB655.7 million for the year ended 31 December 2010 to approximately RMB916.3 million for the year ended 31 December 2011. The increase in cost of sales was primarily attributable to the increase in cost of hogs by approximately RMB255.0 million or 41.9% from approximately RMB608.0 million for the year ended 31 December 2010 to approximately RMB863.0 million for the year ended 31 December 2011, which was in line with the expansion of our sales and the increase in average cost of hogs purchased by approximately RMB2.9 per hog or 19.3% for the year ended 31 December 2011.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB59.1 million or 60.0% from approximately RMB98.5 million for the year ended 31 December 2010 to approximately RMB157.6 million for the year ended 31 December 2011 which was primarily attributable to the significant increase in our revenue as discussed above. Our gross profit margin increased slightly from approximately 13.1% for the year ended 31 December 2010 to approximately 14.7% for the year ended 31 December 2011. The increase in our gross profit margin was primarily attributable to the increase in average selling prices per kg for our major pork products driven by the continuous increase in the market price of pork in the PRC for the year ended 31 December 2011, and such increase was at a comparatively greater extent than the increase in average cost of hogs purchased per kg over the same period.

- *Fresh pork*

Our gross profit from fresh pork increased by approximately RMB22.3 million or 116.8% from approximately RMB19.1 million for the year ended 31 December 2010 to approximately RMB41.4 million for the year ended 31 December 2011 which was primarily attributable to the increase in sale of fresh pork. Our gross profit margin from fresh pork increased from approximately 7.6% to approximately 11.4% due to the increase in average selling price of our fresh pork.

- *Chilled pork*

Our gross profit from chilled pork increased by approximately RMB20.8 million or 131.6% from approximately RMB15.8 million for the year ended 31 December 2010 to approximately RMB36.6 million for the year ended 31 December 2011 which was primarily attributable to the increase in sale of chilled pork. Our gross profit margin from chilled pork increased from approximately 7.0% to approximately 10.5% due to the increase in average selling price of our chilled pork.

- *Frozen pork*

Our gross profit from frozen pork increased by approximately RMB2.0 million or 87.0% from approximately RMB2.3 million for the year ended 31 December 2010 to approximately RMB4.3 million for the year ended 31 December 2011 which was primarily attributable to the increase in sale of frozen pork. Our gross profit margin from frozen pork increased from approximately 1.3% to approximately 1.9% due to the increase in average selling price of our frozen pork.

- *Side products*

Our gross profit from side products increased by approximately RMB10.9 million or 17.7% from approximately RMB61.5 million for the year ended 31 December 2010 to approximately RMB72.4 million for the year ended 31 December 2011 which was primarily attributable to the increase in sale of side products. Our gross profit margin from side products decreased from approximately 63.0% to approximately 56.9% which was primarily attributable to the increase in our average cost of hogs driven by the increase in general market price of hogs in the PRC.

Other income

Our other income increased by approximately RMB1.1 million or 275.0% from approximately RMB0.4 million for the year ended 31 December 2010 to approximately RMB1.5 million for the year ended 31 December 2011. The increase was primarily due to the increase in (i) net gain from selling of non-current biological assets; (ii) interest income on bank deposit; and (iii) government grants in relation to the subsidy for harmless disposal of live hogs (生豬無害化處理).

Gain/(loss) arising from changes in fair value less costs to sell of biological assets

We recorded a loss arising from changes in fair value less costs to sell of biological assets of approximately RMB0.1 million for the year ended 31 December 2011 compared to a gain arising from changes in fair value of biological assets of approximately RMB1.1 million for the year ended 31 December 2010. The gain for the year ended 31 December 2010 was primarily due to the overall increase in the market price of hogs as at 31 December 2010 when compared to that as at 31 December 2009. The loss for the year ended 31 December 2011 was primarily due to the decrease in average age of porkers kept in our Breeding Farms and Fattening Farms as at 31 December 2011 when compared to that as at 31 December 2010. The decrease in the average age of porkers induced lower weight and thus a lower market value of porkers at the end of the reporting period and resulted in a loss in fair value less costs to sell biological assets for the year ended 31 December 2011.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB3.3 million or 32.0% from approximately RMB10.3 million for the year ended 31 December 2010 to approximately RMB13.6 million for the year ended 31 December 2011. Our selling and distribution expenses as a percentage to revenue remained stable at approximately 1.4% and 1.3% for the year ended 31 December 2010 and 2011 respectively. The increase in the selling and distribution expenses was primarily due to the increase in both our staff costs and transportation costs. The staff costs increased from approximately RMB5.8 million for the year ended 31 December 2010 to approximately RMB8.0 million for the year ended 31 December 2011 resulted from the increase in commission paid to our sales staff attributable to an increase in our sales during the year ended 31 December 2011. The transportation costs increased from approximately RMB3.0 million for the year ended 31 December 2010 to approximately RMB4.0 million for the year ended 31 December 2011 which was primarily due to the increase in our sales activities in other cities of Hunan Province other then Changde as well as other major cities and provinces outside of Hunan Province.

Administrative expenses

Our administrative expenses increased by approximately RMB8.2 million or 97.6% from approximately RMB8.4 million for the year ended 31 December 2010 to approximately RMB16.6 million for the year ended 31 December 2011. The increase was primarily due to the increase in legal and professional fees by approximately RMB5.8 million primarily due to the listing expenses recognised in the year ended 31 December 2011.

Finance costs

Our finance costs increased by approximately RMB0.6 million or 75.0% from approximately RMB0.8 million for the year ended 31 December 2010 to approximately RMB1.4 million for the year ended 31 December 2011 which was primarily due to the increase in average monthly borrowings and average interest rate on borrowings during the year.

Profit for the year and net profit margin

Our profit increased by approximately RMB47.0 million or 58.4% from approximately RMB80.5 million for the year ended 31 December 2010 to approximately RMB127.5 million for the year ended 31 December 2011. Our net profit margin also improved from approximately 10.7% for the year ended 31 December 2010 to approximately 11.9% for the year ended 31 December 2011. The increase in net profit and net profit margin was primarily attributable to the improvement in gross profit margin as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We funded our operations primarily from cash flow generated from operating activities and proceeds of borrowings and notes. We require cash primarily for our production and operating activities, prepaid lease payments and capital expenditures on property, plant and equipment.

The following table is a summary of our consolidated statements of cash flows during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	130,110	152,100	76,469	64,128	75,318
Net cash used in investing activities	(32,697)	(72,235)	(78,115)	(40,315)	(119,463)
Net cash (used in)/generated from financing activities	(59,701)	52,588	(2,434)	(6,106)	108,688
Net increase/(decrease) in cash and cash equivalents	37,712	132,453	(4,080)	17,707	64,543
Cash and cash equivalents at the beginning of the year/period	37,042	74,638	206,703	206,703	202,613
Effect of exchange rate changes	(116)	(388)	(10)	(27)	1,448
Cash and cash equivalents at the end of the year/period	74,638	206,703	202,613	224,383	268,604

Operating activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of sales proceeds of our pork products. Our cash outflow used in operating activities was principally for purchases of raw materials.

For the nine months ended 30 September 2013, our Group had net cash generated from operating activities of approximately RMB75.3 million, mainly as a result of the profit of approximately RMB69.9 million generated in this period, which was primarily adjusted for (i) finance costs of approximately RMB8.1 million mainly due to the borrowings and notes issued in January 2013 and (ii) a decrease in biological assets of approximately RMB5.7 million as at 30 September 2013 resulted from decrease in the number of porkers upon cessation of cooperation agreements with two Contract Farmers in the second quarter of 2013. This was partially offset by a decrease in accruals and other payables of approximately RMB10.0 million which resulted from a waiver of accrued interest expense of approximately RMB9.6 million due to the novation of a loan to Huimin in 2013.

For the year ended 31 December 2012, our Group had net cash generated from operating activities of approximately RMB76.5 million, mainly as a result of the profit of approximately RMB94.1 million generated in this year, which was primarily adjusted for (i) finance costs of approximately RMB5.9 million due to a loan from a financial institution of approximately RMB44.8 million drawn down by the end of 2011; (ii) a decrease in biological assets of approximately RMB5.0 million and (iii) an increase in accruals and other payables of approximately RMB7.7 million mainly due to an accrued interest expense on the loan of approximately RMB44.8 million. This was partially offset by a decrease in trade payables of approximately RMB44.1 million due to repayment to our suppliers before the year end.

For the year ended 31 December 2011, our Group had net cash inflow from operating activities of approximately RMB152.1 million, mainly as a result of the profit of approximately RMB127.5 million generated in this year, which was primarily adjusted for an increase in trade payables of approximately RMB76.2 million due to the increase in purchase of hogs for the continuous expansion of our business. This was partially offset by (i) an increase in trade receivables of approximately RMB46.0 million resulted from the increase in our sale of pork products that was in line with the growth of our business and (ii) the decrease in accruals and other payables of approximately RMB16.7 million due to the recognition of payable in relation to the acquisition of land use rights as prepaid lease payment for the year ended 31 December 2011.

For the year ended 31 December 2010, our Group had net cash generated from operating activities of approximately RMB130.1 million, mainly as a result of the profit of approximately RMB80.5 million generated in this year, which was primarily adjusted for (i) an increase in trade payables of approximately RMB39.4 million primarily due to the increase in purchase of hogs for the expansion of our business and (ii) the increase in accruals and other payables of approximately RMB24.2 million due to the payable in relation to the acquisition of land use rights for our New Production Base. This was partially offset by an increase in trade receivables of approximately RMB17.8 million primarily due to the increase in the sale of our pork products.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally from bank interest income and proceeds from disposals of breeder hogs. Our cash outflow used in investing activities was principally for purchases of property, plant and equipment, prepayment for the land use rights and procurement of breeder hogs.

For the nine months ended 30 September 2013, our Group had net cash used in investing activities of approximately RMB119.5 million primarily attributable to (i) the payment, deposits and prepayments for property, plant and equipment of approximately RMB113.3 million for the foundation work of our New Production Base and Linli New Breeding Farm; (ii) the procurement of breeder hogs of approximately RMB6.3 million and (iii) the acquisition of available-for-sale investment of approximately RMB1.5 million for 6% equity interest in 常德九鼎農牧有限公司.

For the year ended 31 December 2012, our Group had net cash used in investing activities of approximately RMB78.1 million primarily attributable to (i) the payment, deposits and prepayments for property, plant and equipment of approximately RMB71.2 million for the foundation work of our New Production Base and Linli New Breeding Farm and (ii) the procurement of breeder hogs of approximately RMB8.6 million.

For the year ended 31 December 2011, our Group had net cash used in investing activities of approximately RMB72.2 million primarily attributable to (i) the acquisition of 25% equity interest in Hunan Huisheng by Hong Kong Huisheng on 29 December 2011 in the amount of approximately RMB41.6 million; (ii) the payment, deposits and prepayments for property, plant and equipment of approximately RMB15.5 million for the foundation work of our New Production Base; (iii) the payment for land use rights of approximately RMB10.1 million related to the land of our Wuling Slaughterhouse and the land for the construction of our New Production Base and (iv) the procurement of breeder hogs of approximately RMB6.9 million.

For the year ended 31 December 2010, our Group had net cash used in investing activities of approximately RMB32.7 million primarily attributable to (i) the payment for land use rights of approximately RMB24.0 million related to the land for the construction of our New Production Base; (ii) the procurement of breeder hogs of approximately RMB6.2 million and (iii) the deposit for land use rights of approximately RMB2.7 million for the land of our Wuling Slaughterhouse.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from borrowings, from our shareholder and from issue of shares and notes. Our cash outflow used in financing activities was primarily for the repayment of borrowings and payment of dividends.

For the nine months ended 30 September 2013, our Group had net cash generated from financing activities of approximately RMB108.7 million primarily attributable to (i) the proceeds from new bank borrowings of RMB54.0 million mainly for financing the construction of New Production Base; (ii) the proceeds from issue of notes of approximately RMB54.1 million for financing the working capital of our Group and (iii) a capital injection of approximately RMB24.3 million mainly attributable to the issuance of shares by our Company to Hunan HTVC at a cash consideration of HK$24.8 million in July 2013. It was partially offset by the repayment of bank borrowings of approximately RMB20.0 million in this period.

For the year ended 31 December 2012, our Group had net cash used in financing activities of approximately RMB2.4 million primarily attributable to proceeds from new borrowings of approximately RMB20.0 million and partially offset by repayment of borrowings of approximately RMB16.9 million.

For the year ended 31 December 2011, our Group had net cash generated from financing activities of approximately RMB52.6 million primarily attributable to proceeds from new borrowings of approximately RMB55.0 million and partially offset by repayment of borrowing of approximately RMB8.0 million.

For the year ended 31 December 2010, our Group had net cash used in financing activities of approximately RMB59.7 million primarily attributable to (i) dividends paid of approximately RMB61.9 million; (ii) the repayment of borrowings of RMB12.0 million and partially offset by proceeds from new borrowings of RMB15.0 million.

NET CURRENT ASSETS

Our Group recorded net current assets of approximately RMB60.8 million, RMB121.6 million, RMB148.7 million, RMB223.3 million and RMB240.2 million as at 31 December 2010, 2011 and 2012, 30 September 2013 and 7 January 2014 respectively. Details of our current assets and current liabilities at the end of each reporting period during the Track Record Period are as follows:

	As at 31 December			As at 30 September	As at 7 January
	2010	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current Assets					
Biological assets	7,904	7,201	7,855	7,725	14,892
Inventories	3,220	3,536	1,683	2,793	3,106
Prepaid lease payments	480	735	735	735	735
Trade receivables	80,760	126,798	124,595	124,594	142,236
Deposits paid, prepayments and other receivables	136	921	2,669	2,802	4,780
Amount due from shareholders	3,333	—	—	25	25
Amount due from a related party	469	478	—	—	—
Bank balances and cash	74,638	206,703	202,613	268,604	294,825
	170,940	346,372	340,150	407,278	460,599
Current Liabilities					
Trade payables	74,145	150,322	106,257	107,043	129,459
Accruals and other payables	27,968	11,233	18,902	20,865	25,899
Amount due to a Shareholder	—	1,127	1,428	1,976	1,967
Borrowings — due within one year	8,000	61,960	64,817	54,000	63,000
Deferred revenue	—	89	87	89	89
	110,113	224,731	191,491	183,973	220,414
Net current assets	60,827	121,641	148,659	223,305	240,185

Our Group's net current assets increased from approximately RMB60.8 million as at 31 December 2010 to approximately RMB121.6 million as at 31 December 2011. The increase was primarily driven by (i) the increase in trade receivables to approximately RMB126.8 million as at 31 December 2011 compared to approximately RMB80.8 million as at 31 December 2010 primarily resulted from the increase in our sale of pork products in 2011 and (ii) the increase in bank balances and cash to approximately RMB206.7 million as at 31 December 2011 compared to approximately RMB74.6 million as at 31 December 2010 primarily resulted from the increase in the inflow of cash generated from our operation. The amount was partially offset by the increase in trade payables to approximately RMB150.3 million as at 31 December 2011 compared to approximately RMB74.1 million as at 31 December 2010 primarily resulted from the increase in purchase of hogs for the continuous expansion of our business.

Our Group's net current assets increased from approximately RMB121.6 million as at 31 December 2011 to approximately RMB148.7 million as at 31 December 2012. The increase was primarily driven by (i) the increase in deposits paid, prepayments and other receivables to approximately RMB2.7 million as at 31 December 2012 compared to approximately RMB0.9 million as at 31 December 2011 primarily resulted from prepayments of listing expenses and (ii) the decrease in trade payables to approximately RMB106.3 million as at 31 December 2012 compared to approximately RMB150.3 million as at 31 December 2011 primarily resulted from the repayment to our suppliers before the year end.

Our Group's net current assets increased from approximately RMB148.7 million as at 31 December 2012 to approximately RMB223.3 million as at 30 September 2013. The increase was primarily driven by the increase in bank balances and cash from approximately RMB202.6 million as at 31 December 2012 to approximately RMB268.6 million as at 30 September 2013 primarily resulted from the proceeds from issue of notes in January 2013. The amount was partially offset by the decrease in borrowings from approximately RMB64.8 million as at 31 December 2012 to approximately RMB54.0 million as at 30 September 2013 mainly resulted from the repayment of borrowings during the nine months ended 30 September 2013.

Our Group's net current assets increased from approximately RMB223.3 million as at 30 September 2013 to approximately RMB240.2 million as at 7 January 2014 mainly due to the increase in bank balances and cash and trade receivables, which was partially offset by the increase in trade payables.

For the year ended 31 December 2013, we expect that the capital expenditures will amount to approximately RMB190.6 million primarily for the expansion of our production capacity, including the construction of our New Production Base and Linli New Breeding Farm.

INVENTORY ANALYSIS

It is imperative that we manage our level of inventories. The value of our inventory accounted for approximately 1.9%, 1.0%, 0.5% and 0.7% of our total current assets as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

The following table is a summary of our balance of inventories as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chilled and frozen pork products	2,896	3,252	1,459	2,532
Hog feed and other consumables	324	284	224	261
	3,220	3,536	1,683	2,793

We usually store finished pork products for a short period before delivery to our customers. Our inventories mainly comprise of chilled and frozen pork products, hog feed and other consumables. We adopt stringent inventory control and maintain low level of inventory since our inventories are perishable in nature. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. We manage our inventory levels principally based on the anticipated demand and the prevailing market price of frozen pork.

Balances of inventories remained stable as at 31 December 2010 and 2011 at approximately RMB3.2 million and RMB3.5 million respectively as a result of the stringent inventory management carried by our Group and the limitation of our storing capacity of our Wuling Slaughterhouse.

Balance of inventories decreased by approximately RMB1.8 million or 51.4% from approximately RMB3.5 million as at 31 December 2011 to approximately RMB1.7 million as at 31 December 2012 primarily attributable to the decrease in inventories of chilled and frozen pork products due to the increase in our sale of chilled and frozen pork products in December 2012.

Balance of inventories increased by approximately RMB1.1 million or 64.7% from approximately RMB1.7 million as at 31 December 2012 to approximately RMB2.8 million as at 30 September 2013 mainly attributable to the increase in inventories of our frozen pork products to cope with the sales orders of our frozen pork products.

During the Track Record Period, our Group made no provision for obsolete inventories.

The following table sets out the average inventory turnover day(s) for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2010	2011	2012	2013
Average inventory turnover day(s)	2	1	1	1

Note: Average inventory turnover day(s) for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 are equal to the average inventory divided by cost of sales and multiplied by 365 or 273 days. Average inventory is equal to the average of inventory at the beginning of the year/period and inventory at the end of the year/period.

The average inventory turnover day(s) were stable for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013. This was primarily due to the stringent inventory management.

As at 31 October 2013, all of our inventories as at 30 September 2013 had been sold or consumed.

PREPAID LEASE PAYMENTS

Our prepaid lease payments amounted to approximately RMB24.0 million, RMB36.5 million, RMB35.8 million and RMB35.2 million as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively, of which approximately RMB0.5 million, RMB0.7 million, RMB0.7 million and RMB0.7 million were classified as current assets.

For the year ended 31 December 2011, our Group received a government subsidy of RMB13.8 million to subsidise the construction of the New Production Base granted by the Changde Economic and Technological Development Zone (常德經濟技術開發區) to support the industrial development of the zone. Such amount has been deducted from the carrying amount of prepaid lease payments and was recognised in our profit or loss in the cost of sales as a reduced amortisation expense over the lease period.

TRADE RECEIVABLES ANALYSIS

The following table sets out the aging analysis of our trade receivables, net of impairment losses, as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	76,301	121,061	107,253	108,439
31 to 60 days	4,459	5,737	17,342	16,155
	80,760	126,798	124,595	124,594

We usually allow a credit period within 80 days to our customers, we may offer longer credit period to some of our customers who have good credit record and strong sales performance. Our customers generally settle their purchases by bank transfer within the credit terms granted.

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aging 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 which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. No trade receivables were past due at the end of each reporting period.

As at 30 November 2013, all of our trade receivables as at 30 September 2013 had been fully settled.

The following table sets out the average trade receivables turnover days for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2010	2011	2012	2013
Average trade receivables turnover days	35	35	44	42

Note: Average trade receivables turnover days for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 are equal to the average trade receivables divided by turnover and multiplied by 365 or 273 days. Average trade receivables are equal to the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

Average trade receivables turnover days for the two years ended 31 December 2010 and 2011 remained stable at 35 days.

Average trade receivables turnover days increased from 35 days for the year ended 31 December 2011 to 44 days for the year ended 31 December 2012 primarily due to the prolonged payments from certain customers which better utilised the credit period offered to them during the year ended 31 December 2012. However, their payment periods were within the credit term granted by us.

Average trade receivables turnover days remained stable at 44 days and 42 days for the year ended 31 December 2012 and the nine months ended 30 September 2013 respectively.

DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES ANALYSIS

Our Group's deposits paid, prepayments and other receivables mainly consist of deposits paid and prepayments, for the purchase of property, plant and equipment and prepayments on listing expenses.

The non-current portion of deposits paid, prepayments and other receivables represented the deposits and prepayment for property, plant and equipment and amounted to nil, approximately RMB0.4 million, RMB38.5 million and RMB6.4 million as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively, accounting for nil, approximately 0.5%, 24.8% and 2.4% respectively of our Group's total non-current assets.

Our Group's deposits and prepayments for property, plant and equipment increased by approximately RMB38.1 million or 9,525.0% from approximately RMB0.4 million as at 31 December 2011 to approximately RMB38.5 million as at 31 December 2012 primarily attributable to the prepayment for the purchase of plant and equipment of approximately RMB33.5 million for our New Production Base and the Health Breeding Farm.

Our Group's deposits and prepayments for property, plant and equipment decreased by approximately RMB32.1 million or 83.4% from approximately RMB38.5 million as at 31 December 2012 to approximately RMB6.4 million as at 30 September 2013 primarily attributable to the recognition of prepayment for purchase of plant and equipment of approximately RMB33.5 million as plant and equipment in the nine months ended 30 September 2013.

The current portion of deposits paid, prepayments and other receivables mainly represented prepayments of listing expenses and amounted to approximately RMB0.1 million, RMB0.9 million, RMB2.7 million and RMB2.8 million as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively, accounting for approximately 0.1%, 0.3%, 0.8% and 0.7% respectively of our Group's total current assets.

Our Group's deposits paid, prepayments and other receivables increased by approximately RMB0.8 million or 800.0% from approximately RMB0.1 million as at 31 December 2010 to approximately RMB0.9 million as at 31 December 2011 primarily attributable to the increase in prepayments in relation to the listing expenses of RMB0.7 million.

Our Group's deposits paid, prepayments and other receivables increased by approximately RMB1.8 million or 200.0% from approximately RMB0.9 million as at 31 December 2011 to approximately RMB2.7 million as at 31 December 2012 primarily attributable to prepayment to guarantor of approximately RMB0.9 million for issuance of notes and prepayment of rental expense for land use rights of the Linli New Breeding Farm of approximately RMB0.4 million.

Our Group's deposits paid, prepayments and other receivables remained stable at approximately RMB2.7 million and RMB2.8 million as at 31 December 2012 and 30 September 2013 respectively which were mainly related to prepayment of listing expenses.

As at 31 October 2013, approximately 1.5% of our deposits paid, prepayments and other receivables as at 30 September 2013 had been settled. Such level of subsequent settlement was low because our deposits paid and prepayment were mainly prepayment of listing expenses and the amount will be capitalised upon listing.

TRADE PAYABLES ANALYSIS

Our trade payables primarily relate to the purchase of hogs and hog feed from our suppliers. Our suppliers grant a credit period generally within 60 days for our purchases.

The following table sets out the aging analysis of our trade payables as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	68,116	99,530	88,849	91,581
31 to 60 days	6,029	50,757	17,408	15,462
61 to 90 days	—	35	—	—
	74,145	150,322	106,257	107,043

The following table sets out the average trade payables turnover days for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2010	2011	2012	2013
Average trade payables turnover days	30	45	51	42

Note: Average trade payables turnover days for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 are equal to the average trade payables divided by cost of sales and multiplied by 365 or 273 days. Average trade payables are equal to the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

Average trade payables turnover days were 30 days, 45 days, 51 days and 42 days for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 respectively.

We usually confirm with our hog suppliers the total trade payables due to them at the end of each month and settled the agreed amount thereafter. The increase in the average trade payables turnover days from 30 days for the year ended 31 December 2010 to 51 days for the year ended 31 December 2012 was mainly because of the prolonged repayment to our major suppliers so as to further utilise the credit period granted by our suppliers. However, our repayment periods were within the credit term granted by our suppliers.

Average trade payables turnover days decreased from 51 days for the year ended 31 December 2012 to 42 days for nine months ended 30 September 2013 primarily due to prompt repayment to our suppliers during the nine months ended 30 September 2013 in view of our improved liquidity position.

As at 30 November 2013, all of the trade payables outstanding as at 30 September 2013 had been fully settled.

AMOUNT DUE FROM/(TO) SHAREHOLDERS

The amounts, which were due from/(to) Mr. Ding as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively, were non-trade in nature, unsecured, interest-free and recoverable/repayable on demand. Our Directors confirm that the amounts were made in advance to Mr. Ding by Hong Kong Huisheng which was non-trade in nature. Our Directors further confirm that Mr. Ding or any other related party of our Group did not receive any sales proceeds on our Group's behalf during the Track Record Period. The balance will be fully settled prior to Listing.

The amount, which was due from Huimin and Jisheng as at 30 September 2013, were non-trade in nature, unsecured, interest-free and recoverable on demand. Our Directors confirm that the amounts were advances made to Huimin and Jisheng by our Company which were non-trade in nature. Our Directors further confirm that Huimin, Jisheng or any other related party of our Group did not receive any sales proceeds on our Group's behalf during the Track Record Period. The balance will be fully settled prior to Listing.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including the available banking facilities, other internal resources and the estimated net proceeds from the New Issue, our Group has sufficient working capital for our present requirements, that is, for at least in the next 12 months commencing from the date of this prospectus.

PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consist of buildings, plant and machinery, motor vehicles, furniture, fixtures and equipment and construction in progress. We had net book values of approximately RMB32.0 million, RMB44.6 million, RMB75.2 million and RMB218.6 million as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

Balances of property, plant and equipment increased by approximately RMB12.6 million or 39.4% from approximately RMB32.0 million as at 31 December 2010 to approximately RMB44.6 million as at 31 December 2011. The increase was mainly attributable to the foundation work of our New Production Base, resulting in construction in progress of approximately RMB14.8 million and partially offset by the depreciation charge for the year of approximately RMB2.4 million.

Balances of property, plant and equipment increased by approximately RMB30.6 million or 68.6% from approximately RMB44.6 million as at 31 December 2011 to approximately RMB75.2 million as at 31 December 2012. The increase was mainly attributable to the foundation work of our New Production Base and expansion of our Health Breeding Farm, resulting in construction in progress of approximately RMB39.5 million and partially offset by the depreciation charge for the year of approximately RMB2.6 million.

Balances of property, plant and equipment increased by approximately RMB143.4 million or 190.7% from approximately RMB75.2 million as at 31 December 2012 to approximately RMB218.6 million as at 30 September 2013. The increase was mainly attributable to the foundation work of our New Production Base and Linli New Breeding Farm, resulting in construction in progress of approximately RMB145.4 million and partially offset by the depreciation charge for the period of approximately RMB2.1 million.

BIOLOGICAL ASSETS

The following table sets out the value of our biological assets as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion — breeder hogs	8,874	6,915	6,395	6,151
Current portion — porkers	7,904	7,201	7,855	7,725
	16,778	14,116	14,250	13,876

The quantities of our biological assets are summarised as follows:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	Head	*Head*	*Head*	*Head*
Breeder hogs	1,912	1,878	1,889	1,660
Porkers	11,971	9,972	11,599	10,994
	13,883	11,850	13,488	12,654

	Breeder hogs	Porkers	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2010	5,967	5,344	11,311
Increase due to raising (Feeding cost and others)	6,181	19,462	25,643
Transfer	839	(839)	—
Decrease due to retirement and deaths	(123)	(165)	(288)
Decrease due to sales	(5,097)	(15,915)	(21,012)
Gains arising from changes in fair value less costs to sell	1,107	17	1,124
As at 31 December 2010 and 1 January 2011	8,874	7,904	16,778
Increase due to raising (Feeding cost and others)	6,864	21,354	28,218
Transfer	306	(306)	—
Decrease due to retirement and deaths	(167)	(231)	(398)
Decrease due to sales	(7,466)	(22,971)	(30,437)
(Losses)/gain arising from changes in fair value less costs to sell	(1,496)	1,451	(45)
As at 31 December 2011 and 1 January 2012	6,915	7,201	14,116
Increase due to purchases	761	—	761
Increase due to raising (Feeding cost and others)	7,789	24,310	32,099
Transfer	234	(234)	—
Decrease due to retirement and deaths	(83)	(222)	(305)
Decrease due to sales	(7,109)	(21,985)	(29,094)
Losses arising from changes in fair value less costs to sell	(2,112)	(1,215)	(3,327)
As at 31 December 2012 and 1 January 2013	6,395	7,855	14,250
Increase due to purchases	—	—	—
Increase due to raising (Feeding cost and others)	6,300	19,568	25,868
Transfer	738	(738)	—
Decrease due to retirement and deaths	(147)	(184)	(331)
Decrease due to sales	(6,160)	(18,952)	(25,112)
(Losses)/gain arising from changes in fair value less costs to sell	(975)	176	(799)
As at 30 September 2013	6,151	7,725	13,876

Our Group adopts professional mating procedure which does not require substantial number of boars for the mating process. As the total number of boars owned by our Group was only 32 as at 30 September 2013, our Directors are of the view that the number of boars and their respective market prices are immaterial. For male hogs to be treated as porker, they have to be sterilised before fattening, and the hogs of different genders are treated the same when fattening as well as slaughtering, and our Group does not account for boars and sows separately. Hence, it is impracticable for our Group to further provide the fair value movements breakdown by gender of hogs.

The sale of breeder hogs during the Track Record Period were due to (i) the replacement of culled breeder hogs when their productivity diminished and became no longer cost-effective for breeding purpose and (ii) the sale of breeder hogs to Contract Farms upon cessation of cooperation agreements with them. Please refer to the paragraph headed “Contract Farms” in the section headed “Our business” in this prospectus for the details of the cessation of cooperation with Contract Farms.

Our Group’s biological assets were independently valued by the Valuer. The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and recent experiences in various appraisal assignments involving biological assets and agricultural produce. The team members of the Valuer include Mr. Tse Wai Leung and Ms. Lau Sze Wing, Sandra.

Mr. Tse Wai Leung, a director of the Valuer, is a professional member of the Royal Institution of Chartered Surveyors (MRICS), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a professional member of the China Institute of Real Estate Appraisal (CIREA), a charterholder of the Chartered Financial Analyst Institute (CFA) and a member of the Global Association of Risk Professional (FRM). He has over 15 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand. He has previously participated in the valuation of biological assets and agricultural produce such as hogs, chickens, Sophora Alopecuroides crops, sunflower seeds and tapioca chips.

Ms. Lau Sze Wing, Sandra, a director of the Valuer, is a professional member of the Australian Property Institute (API) (formerly known as Australian Institute of Valuers and Land Economists), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a registered professional surveyors in Hong Kong (RPS). She has over 13 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Australia and New Zealand. She has previously participated in the valuation of biological assets and agricultural produce such as hogs, chickens, vegetable, fruit, fruit trees and tea trees.

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

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

Given the nature of the biological assets (including breeder hogs and porkers) which are commonly transacted on the market, they have been valued based on market approach. The Valuer considers that market approach is the most acceptable valuation method being engaged for valuing assets for which transaction market can be identified. By this method, the fair values less costs to sell of the hogs are determined with reference to the market-determined prices of items with similar age, weight and breeds at each reporting date adjusted with attributes such as pig breed and stage of growth in the life cycle.

The key valuation parameters for valuation of the biological assets include quantity, body weight and unit price. 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 our Group;
- the interest rates and exchange rates will not differ materially from those presently prevailing;
- the biological assets are properly fed with balanced diets such that they are gaining weight 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;
- the production facilities, systems and the technology utilised by our Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- our 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;
- our 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 Valuer has conducted inspection of the farms to understand, among others, the quality and species of pure breed hogs, cross breeding program being undertaken, parameters in the selection and culling of breeders hogs and porkers, caring and feeding program for breeding and fattening hogs and facilities in the farms. Physical examination of the hogs by a veterinarian was also conducted to ascertain the physical condition of the hogs. To ascertain the quantity of hogs, the Valuer and the Reporting

Accountants have conducted physical counts of hogs and conducted roll back tests, where relevant, to cross-check the quantities of our biological assets as recorded in its inventory records as at the relevant reporting dates. The Reporting Accountants have performed roll back tests in accordance with Hong Kong Standard on Auditing ("HKSA") 501 Audit Evidence — Specific Considerations for Selected Items by performing audit procedures to obtain audit evidence to ascertain the changes in number of hogs between the count dates and the inventory records as at the relevant reporting dates.

Further, the Reporting Accountants have performed the procedures in accordance with the HKSA 620 Using the Work of an Expert. The Reporting Accountants have made inquiries regarding the source data used and procedures undertaken by the Valuer in the valuations and obtained an understanding on the assumptions and methods used. Based on the procedures undertaken, the Reporting Accountants are satisfied that the valuation technique chosen and the source data used in the valuation are appropriate and reasonable. The Sponsor has held various discussions with the Valuer in relation to the valuation methodology and assumptions adopted, the valuation techniques and the inputs used in the valuation by the Valuer to understand their valuation process and reviewed the qualification and relevant valuation experience of the Valuer and its professional valuers. The Sponsor has further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. In addition, the Sponsor has discussed with the Reporting Accountants regarding the valuation of biological assets by the Valuer and noted that the Reporting Accountants had performed procedures in accordance with the relevant auditing standards. Given the above, the Sponsor is satisfied that the valuation methodology and major inputs used in the valuation of the biological assets of our Group are appropriate and reasonable.

The prevailing market prices adopted for the valuation of our Group's biological assets are set out as follows:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Finishers (RMB/kg)*(Note 1)*	14.25	17.10	15.93	15.62
Piglets/weaners (RMB/kg)*(Note 2)*	21.91	36.45	29.18	31.62
Boars (RMB/head)*(Note 3)*	5,080	5,400	5,400	5,487
Gilts (RMB/head)*(Note 4)*	2,360	2,230	2,230	2,311

Notes:

1. Market prices of finishers represent the prices of consumable hogs 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).

2. Market prices of piglet/weaners represent the prices of hogs that are less than 60 days old weighing about 20 kg in Hunan Province. The market prices of piglet/weaners in Hunan Province were based on statistics released by the China Animal Agriculture Association (中國畜牧業協會).

3. 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.

4. 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.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the prevailing market prices adopted for the valuation of our Group's biological assets on our profit after taxation during the Track Record Period, assuming all other things equal. Hypothetical fluctuations in the prevailing market prices are assumed to be 1.6% and 66.4%, which are commensurate with the historical fluctuations in the prevailing market prices of our Group's biological assets during the Track Record Period:

Hypothetical fluctuation	**-66.4%**	**-1.6%**	**+1.6%**	**+66.4%**
Change in profit after taxation (RMB'000)				
For the year ended 31 December 2010	(11,140)	(269)	268	11,139
For the year ended 31 December 2011	(9,372)	(225)	227	9,372
For the year ended 31 December 2012	(9,462)	(228)	227	9,463
For the nine months ended 30 September 2012	(10,132)	(246)	245	10,131
For the nine months ended 30 September 2013	(9,214)	(221)	224	9,215

The valuation procedures involve pricing the hogs individually and no complex calculation methods are involved. It was observed by the Valuer that, holding all other factors constant, a 66.4% reduction or increase in the price will also affect the value of biological assets by about 66.4%.

Our biological asset management policy covers record keeping and stock-take procedures related to biological assets in our Health Breeding Farm and Fattening Farms, handling of hogs after purchase and transferring between our Health Breeding Farm, Fattening Farms and slaughterhouse. Our Group performs stock-take of biological assets in our Health Breeding Farm and Fattening Farms on a semi-annual basis, i.e. on 30 June and 31 December every year. Pursuant to our Group's guidelines, records of the number, type and age of hogs in our Health Breeding Farm and Fattening Farms are regularly maintained by both the breeding department and the finance department; any transfer between farms and movement into/out of farms shall be reported by the breeding department to the finance department to update the inventory records timely. During stock-take, neither deliveries into and out of farms nor transfer between sheds is allowed to ensure accuracy of the stock-take results. In case of pregnancy or death of hogs on the day of stock-take, a list of newborn piglets/dead hogs is kept and submitted to the finance department for the reconciliation of stock-list with the stock-take results. The stock-take records shall be signed by the staff from the finance department and the staff in our Health Breeding Farm or Fattening Farmers (as the case may be). The finance department will double check the counting results against the inventory record, and a stock take report will be prepared within three days from the stock count date. For any variance between the stock list and the stock-take results, the cause would be investigated immediately to obtain the correct stock number. Any material variance shall be reported to the management for investigation. The management performs regular review on the effectiveness on its stock-take procedures and internal controls over physical existence of biological assets and record keeping and will improve the procedures if necessary.

Our Directors confirm that our Group had performed physical counts of the biological assets as at each reporting date.

AVAILABLE-FOR-SALE INVESTMENT

With a view to capturing new investment opportunities and capitalising on our knowledge in hog feed to induce synergic effect to enhance our hog breeding techniques, Hunan Huisheng entered into a share purchase agreement in April 2013 with an Independent Third Party to acquire 6% of the equity interest in a company which was a limited liability company established in the PRC and principally engaged in the manufacturing and sale of feed, of which certain shareholders are suppliers to our Group. The transaction was completed in April 2013 and the aggregate consideration for the investment amounted to RMB1.5 million. The unlisted equity investment is measured at cost less impairment at the end of the reporting period as the investment does not have a quoted market price in an active market and amounted to RMB1.5 million as at 30 September 2013.

INDEBTEDNESS

The following table sets out our total debts as at 31 December 2010, 2011 and 2012, 30 September 2013 and 7 January 2014:

	As at 31 December			As at 30 September	As at 7 January
	2010	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings					
Bank borrowings — secured	15,000	16,900	20,000	54,000	63,000
Loan from a financial institution	—	45,060	44,817	—	—
	15,000	61,960	64,817	54,000	63,000
Amount due to a Shareholder	—	1,127	1,428	1,976	1,967
Loan from government	—	677	744	792	808
Notes payable	—	—	—	55,598	56,406
Total indebtedness	15,000	63,764	66,989	112,366	122,181

Borrowings

	As at 31 December			As at 30 September	As at 7 January
	2010	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable:					
On demand or within one year and shown under current liabilities	8,000	61,960	64,817	54,000	63,000
More than one year but not exceeding two years and shown under non-current liabilities	7,000	—	—	—	—
	15,000	61,960	64,817	54,000	63,000

As at the close of business on 7 January 2014, being the latest practicable date for the purpose of this indebtedness statement, we had aggregate banking facilities of approximately RMB63.0 million which were fully utilised.

The following table sets out the range of interest rates for our borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 September	As at 7 January
	2010	2011	2012	2013	2014
Bank borrowings — secured	5.31%–8.10%	7.22%–8.10%	7.20%–12.00%	7.20%–12.00%	7.20%–7.38%
Loan from a financial institution	N/A	10.00%	10.00%	N/A	N/A

Our borrowings increased from approximately RMB15.0 million as at 31 December 2010 to approximately RMB62.0 million as at 31 December 2011 and further increased to approximately RMB64.8 million as at 31 December 2012. This was primarily attributable to the arrangement of a loan from a financial institution by Hong Kong Huisheng in 2011 for financing the Reorganisation.

Our borrowings decreased by approximately RMB10.8 million or 16.7% from approximately RMB64.8 million as at 31 December 2012 to approximately RMB54.0 million as at 30 September 2013. This was primarily attributable to the novation of the loan from a financial institution to Huimin in August 2013 and the net increase in bank borrowings of approximately RMB34.0 million in this period.

Our borrowings increased by approximately RMB9.0 million or 16.7% from approximately RMB54.0 million as at 30 September 2013 to approximately RMB63.0 million as at 7 January 2014. This was mainly due to the increase in bank borrowings of approximately RMB15.0 million and repayment of bank borrowings of approximately RMB6.0 million during this period.

During the Track Record Period, some of our bank borrowings were guaranteed by or pledged by the assets of Shareholders and other related parties. These borrowings had been fully repaid as at the Latest Practicable Date.

The bank borrowings of our Group were secured by certain assets of our Group as well as assets and guarantees of certain related parties. Pursuant to our loan agreements in relation to the outstanding bank and other borrowings, some of our subsidiaries are subject to typical material covenants. Pursuant to the relevant agreements, in addition to covenants for due payment, we are sometimes required to give covenant for prescribed use of these loans, other than for supplement of working capital, such prescribed use include purchase of raw materials including hogs and hog feed, payment of construction expenses in relation to the New Production Base, corporate Reorganisation and payment of listing expenses (interest rates of which range from 7.2% to 12.0% per annum); and we are further required to provide details of financial and other information. In addition, certain of the loan agreements contain typical cross-breach provisions in the event of default of repayment or other obligation under any other loans. Save for the foregoing, our Directors confirm that we are not subject to other material covenant under the loan agreements with respect to our bank and other borrowings. Breach of these covenants may entitle the lenders to, among others, accelerate repayment of all or any part of the borrowings owing under the agreements, and foreclose all or any of the security of such borrowings. During the Track Record Period, we had not experienced any material defaults of the covenants under the agreements. Our Directors confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. Taking into consideration the solid financial position of our Group and the stability of our business, our Directors are of the opinion that our Group is able to meet those covenants amid current market conditions and our Group's capital raising abilities was not materially affected as at the close of the business on 7 January 2014.

Notes payable

In January 2013, a subsidiary of our Group, Hunan Huisheng, as one of the issuers, issued collective notes, the principal terms of which are as follows:

Date of issue:	28 January 2013
Name of instrument:	Hunan Province Changde City first small-medium enterprise collective notes in 2013 (the "**Changde First SME Collective Notes 2013**")
Type of instrument:	collective notes under unified product design, unified title, unified credit enhancement and unified issuance/registration in the interbank bond market
Joint issuers:	Hunan Huisheng and three Independent Third Parties which are all enterprises established in Changde, Hunan Province
Guarantee:	irrevocable joint liability guarantee provided by 中債信用增進投資股份有限公司 (China Bond Insurance Co., Ltd.*) for the full amount

Principal amount:	RMB260 million in aggregate, of which RMB60 million was issued by Hunan Huisheng
Denominations:	RMB100 each
Term:	to be redeemed on the third anniversary from the date of issue
Interest rate:	fixed rate interest of 5.9% per annum, payable annually
Repayment:	the obligation to repay the principal amount and the interest shall be several amongst the issuers of the Changde First SME Collective Notes 2013
Arranger:	the People's Government of Changde City
Lead underwriter and bookrunner:	China Development Bank
Noteholders:	institutional investors of the Inter-bank Bond Market of the PRC*(Note)*
Credit rating:	AAA

Note: The Inter-bank Bond Market (全國銀行間債券市場) of the PRC is a market for the trading of bonds amongst financial institutes, including commercial banks, rural credit cooperatives, insurance companies, securities companies and other financial institutes.

The issue of Changde First SME Collective Notes 2013 by Hunan Huisheng was primarily to supplement the working capital of our Group. The existing terms of the Changde First SME Collective Notes 2013 do not automatically allow for further tranches of collective notes to be issued. Pursuant to the terms of the Changde First SME Collective Notes 2013, the offer for subscription shall only be made to institutional investors of the Inter-bank Bond Market of the PRC and shall not be made to the public. As advised by our PRC Legal Advisers, the issue of the Changde First SME Collective Notes 2013 by Hunan Huisheng to institutional investors of the Inter-bank Bond Market of the PRC has complied with all relevant PRC laws, rules and regulations.

During the Track Record Period, our debts mainly consisted of borrowings and notes for supplement of working capital, purchase of raw materials, payment of construction expenses, corporate Reorganisation and listing expenses. Regardless of the significant bank balances and cash held by us during the Track Record Period, our Group had the funding requirement to borrow from banks and issue the Changde First SME Collective Notes 2013 to maintain our liquidity for (i) meeting our operating cash outflow needs for the next two months to repay our suppliers within the 60-day credit period granted by them; (ii) satisfying the capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately RMB2.0 million, RMB10.5 million, RMB140.2 million and RMB39.0 million as at 31 December 2010, 2011, 2012 and 30 September 2013 respectively and (iii) reserving funds for other purposes such as financing the construction of our New Production Base and Linli New Breeding Farm prior to Listing and payment of listing expenses.

Except as disclosed in this paragraph headed "Indebtedness" in this section, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the Latest Practicable Date. Our Directors confirm that there had not been any material change in our indebtedness up to the Latest Practicable Date.

Contingent liabilities

As at the Latest Practicable Date, our Group did not have contingent liabilities that will have a material adverse effect on our financial position, liquidity or result of operation.

OTHER KEY FINANCIAL RATIOS

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Current ratio*(Note 1)*	1.6	1.5	1.8	2.2
Gearing ratio*(Note 2)*	12.4%	30.6%	22.1%	25.9%

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(unaudited)	
Return on equity*(Note 3)*	72.1%	77.5%	36.9%	27.9%	19.0%
Return on total assets*(Note 4)*	41.2%	37.9%	20.2%	15.0%	12.0%
Interest coverage*(Note 5)*	103.3x	89.9x	16.9x	16.1x	9.6x

Notes:

1. Current ratio represents current assets divided by current liabilities.

2. Gearing ratio represents total debts (summation of borrowings, notes payable, loan from government and amount due to a Shareholder) divided by total equity and multiplied by 100%.

3. Return on equity equals profit for the year/period divided by the average of total equity at the beginning and the end of year/period and multiplied by 100%.

4. Return on total assets equals profit for the year/period divided by the average of total assets at the beginning and the end of year/period and multiplied by 100%.

5. Interest coverage equals profit before interest and tax divided by finance costs for the year/period.

Current ratio

Our Group's current ratio remained relatively stable at approximately 1.6 and 1.5 as at 31 December 2010 and 2011 respectively. The slight decrease in current ratio was primarily attributable to (i) the increase in current portion of borrowings from approximately RMB8.0 million as at 31 December 2010 to approximately RMB62.0 million as at 31 December 2011 and (ii) the increase in trade payables from approximately RMB74.1 million as at 31 December 2010 to approximately RMB150.3 million as at 31 December 2011 primarily due to the increase in purchase of hogs for the continuous expansion of our business. It was partially offset by the increase in bank balances and cash from approximately RMB74.6 million as at 31 December 2010 to approximately RMB206.7 million as at 31 December 2011.

Our current ratio increased from approximately 1.5 as at 31 December 2011 to approximately 1.8 as at 31 December 2012 primarily attributable to the decrease in trade payables from approximately RMB150.3 million as at 31 December 2011 to approximately RMB106.3 million as at 31 December 2012 resulted from repayment to our suppliers before the end of 2012.

Our current ratio further increased from approximately 1.8 as at 31 December 2012 to approximately 2.2 as at 30 September 2013 primarily attributable to the increase in bank balances and cash from approximately RMB202.6 million as at 31 December 2012 to approximately RMB268.6 million as at 30 September 2013 due to the proceeds from the issue of notes in January 2013.

Gearing ratio

Our gearing ratio increased from approximately 12.4% as at 31 December 2010 to approximately 30.6% as at 31 December 2011, primarily attributable to the increase in total debts by approximately 325.3% from approximately RMB15.0 million as at 31 December 2010 to approximately RMB63.8 million as at 31 December 2011 mainly related to a loan from a financial institution during 2011, whereas our equity increased to a lesser extent by approximately 72.0%.

Our gearing ratio decreased from approximately 30.6% as at 31 December 2011 to approximately 22.1% as at 31 December 2012, attributable to the increase in our equity by approximately 45.4% primarily contributed by the profit for the year ended 31 December 2012, whereas the total debts increased to a lesser extent by approximately 5.1%.

Our gearing ratio increased from approximately 22.1% as at 31 December 2012 to approximately 25.9% as at 30 September 2013, attributable to the increase in total debts by approximately 67.7% primarily due to the issue of notes in January 2013, whereas our equity increased to a lesser extent by approximately 43.3%.

Return on equity

Our return on equity increased from approximately 72.1% for the year ended 31 December 2010 to approximately 77.5% for the year ended 31 December 2011. The increase in return on equity was attributable to the increase in profit for the year ended 31 December 2011 primarily as a result of the increase in the sales volume and overall average selling price of our major pork products in the year.

Our return on equity decreased from approximately 77.5% for the year ended 31 December 2011 to approximately 36.9% for the year ended 31 December 2012. The decrease in return on equity was attributable to the decrease in profit for the year ended 31 December 2012 primarily resulted from the decrease in overall average selling prices of our major pork products driven by the decrease in the market price of pork in the PRC.

Our return on equity decreased from approximately 27.9% for the nine months ended 30 September 2012 to approximately 19.0% for the nine months ended 30 September 2013 which was primarily attributable to the increase in our average equity by approximately RMB125.9 million for the nine months ended 30 September 2013 as compared to the nine months ended 30 September 2012, whereas the profit increased to a lesser extent by only approximately RMB2.3 million. The increase in the average equity for the nine months ended 30 September 2013 was primarily contributed by the issuance of new shares of our Company, shareholders' contribution and the establishment of a subsidiary during this period.

Return on total assets

Our return on total assets was approximately 41.2%, 37.9% and 20.2% for each of the three years ended 31 December 2012 respectively. The changes in return on total assets of our Group were primarily attributable to the changes in profits over these years as discussed above.

Our return on total assets decreased from approximately 15.0% for the nine months ended 30 September 2012 to approximately 12.0% for the nine months ended 30 September 2013 which was primarily attributable to the additions of property, plant and equipment for the nine months ended 30 September 2013.

Interest coverage

Our interest coverage was approximately 103.3 times, 89.9 times and 16.9 times for each of the three years ended 31 December 2012 respectively. The decrease in interest coverage was mainly due to the increase in our finance cost on borrowings.

Our interest coverage decreased from approximately 16.1 times for the nine months ended 30 September 2012 to approximately 9.6 times for the nine months ended 30 September 2013. The decrease in interest coverage was mainly due to the increase in our finance cost on borrowings and notes.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our 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:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	247	238	140	160
In the second to fifth year inclusive	225	133	147	234
After five years	306	282	568	553
	778	653	855	947

Operating lease payments represent rentals payable by our Group for our Health Breeding Farm, Linli New Breeding Farm and Contract Farms as well as office premises. Leases in respect of such farms are negotiated for a term of one to thirty years with fixed rentals. Leases in respect of office premises are negotiated for a term of one to two years with fixed rentals.

Capital commitments

We had the following capital commitments, which were not provided for in our consolidated financial statements:

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	31,665	—	—	—
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	2,028	10,487	140,218	38,963

CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

The following table sets out our capital expenditures for the period indicated:

	Year ended 31 December			Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditures				
Property, plant and equipment	328	15,016	33,156	145,415
Prepaid lease payments	24,000	12,746	—	—
	24,328	27,762	33,156	145,415

Our Group's capital expenditures for each of the three years ended 31 December 2012 and for the nine months ended 30 September 2013 principally consisted of expenditures on acquisitions of property, plant and equipment, and prepaid lease payments for land. During the Track Record Period, our Group incurred capital expenditures of approximately RMB24.3 million, RMB27.8 million, RMB33.2 million and

RMB145.4 million respectively, primarily used for construction of our Health Breeding Farm, the payment of the land use rights for our Wuling Slaughterhouse, and the cost of foundation work and land use rights for our New Production Base.

Planned capital expenditure

For the year ended 31 December 2013, we estimate that the capital expenditures will amount to approximately RMB190.6 million primarily for the expansion of our production capacity, including the construction of our New Production Base and Linli New Breeding Farm.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed "Contractual and capital commitments" and "Indebtedness" in this section.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

DISTRIBUTABLE RESERVES

As at 30 September 2013, our distributable reserves available for distribution to our Shareholders amounted to approximately RMB361.2 million.

DIVIDEND POLICY

For each of the three years ended 31 December 2012 and the nine months ended 30 September 2013, Hunan Huisheng declared and paid a dividend of approximately RMB61.9 million, nil, nil and nil to its then shareholders. Past payments and non-payments of dividends are not indicative of our future dividend policy.

Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. Subject to, among others, the factors described above, our Directors currently intend to recommend dividends of around 25% of our net profit available for distribution to the Shareholders in the foreseeable future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are in the normal course of our business and are exposed to various types of market risks as follows. For more details, please refer to Appendix I to this prospectus.

Credit risk

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

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

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

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our Group's profit for the year ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2013 would decrease/increase by approximately RMB52,000, RMB81,000, RMB308,000 and RMB255,000 respectively. This is mainly attributable to our Group's exposure to interest rates on its variable-rate borrowings.

Currency risk

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

In the opinion of our Directors, since the currency risk is minimal, no sensitivity analysis is presented.

Business risk

Our Group is exposed to financial risks arising from changes in the 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. Our Group has little or no control over these conditions and factors.

Our Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. Our 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 our Group will not be affected by epidemic diseases.

Save for the procurement of breeder hogs, our Group manages our 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

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

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

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2013

Our Directors estimate that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in the section headed "Profit estimate" in Appendix III to this prospectus, the estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 is as follows.

Estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 *(Note 1)*	not less than RMB100.0 million (equivalent to approximately HK$127.0 million *(Note 3)*)
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2013 *(Note 2)*	not less than RMB0.25 (equivalent to approximately HK$0.32 *(Note 3)*)

Notes:

1. The basis and assumptions on which the estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 have been prepared are summarised in the section headed "Profit estimate" in Appendix III to this prospectus. Such estimated consolidated profit includes the estimated listing expenses to be charged for the year ended 31 December 2013 of approximately RMB6.8 million.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2013 and assuming a total of 400,000,000 Shares had been in issue throughout the year ended 31 December 2013 (assuming the Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Global Offering had been in issue on 1 January 2013 but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company).

3. The unaudited pro forma estimated earnings per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.2698. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 September 2013 and based on the audited consolidated net tangible assets attributable to owners of our Company as at 30 September 2013 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group after the completion of the Global Offering.

	Audited consolidated net tangible assets attributable to owners of our Company as at 30 September 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.45 per Share	428,922	103,517	532,439	1.33	1.69
Based on an Offer Price of HK$2.05 per Share	428,922	149,347	578,269	1.45	1.84

Notes:

1. The audited consolidated net tangible assets attributable to owners of our Company as at 30 September 2013 is based on the consolidated net assets of our Group attributable to owners of our Company as at 30 September 2013, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

2. The estimated net proceeds from Global Offering are based on the indicative Offer Price of HK$1.45 or HK$2.05 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and related expenses (excluding listing expenses which has been accounted for prior to 30 September 2013) payable by our Company and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB1.00 to HK$1.2698.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares are in issue immediately after the Global Offering and the Capitalisation Issue becomes unconditional but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company.

4. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.2698. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

5. By comparing the valuation of our Group's property interest of RMB166,520,000 as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as at 31 December 2013, the net revaluation surplus is approximately RMB3,823,000, which has not been included in the above consolidated net tangible assets attributable to owners of our Company as at 30 September 2013. The revaluation of our Group's property interests will not be incorporated in our Group's financial information. If the revaluation surplus is to be included in our Group's financial information, depreciation charge of approximately RMB182,000 per annum related to these properties would be recorded.

6. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2013.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Further information on our property interest is set out in Appendix IV to this prospectus. The Valuer has valued the properties owned by us as at 31 December 2013. The text of its letter, summary of valuations and valuation certificate are set forth in Appendix IV to this prospectus.

The table below shows the reconciliation of the net book value of the property interests from our audited financial statements as at 30 September 2013 to the valuation of the property interests as at 31 December 2013:

	RMB'000
Reference value as at 31 December 2013 (as included in the Valuation Report in Appendix IV to this prospectus)	166,520
Net book value as at 30 September 2013 (as included in the Accountants' Report in Appendix I to this prospectus) *(Note)*	155,837
Additions	7,201
Movements for the 3 months month ended 31 December 2013	
— Depreciation and amortisation	(341)
Net book value as at 31 December 2013	162,697
Valuation surplus	3,823

Note: The net book value represents the sum of the closing net book amount of prepaid lease payments, buildings and construction in progress in relation to properties held by our group as at 30 September 2013 as stated in the Accountants Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OUR LATEST DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure has remained unchanged since 30 September 2013. Based on our unaudited management accounts, our monthly average of revenue and gross profit for the four months ended 31 January 2014 improved as compared to the monthly average of revenue and gross profit for the nine months ended 30 September 2013. Such increase in revenue was primarily attributable to the increase in the overall average selling prices and sales volume of our major pork products for the four months ended 31 January 2014 by approximately 4.2% and 6.8% respectively when compared to those for the nine months ended 30 September 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2013 with specific reference to the trading results during the three months ended 31 December 2013 and there has been no event since 30 September 2013 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FUTURE PLANS AND PROSPECTS

See the paragraph headed "Our business strategies" in the section headed "Our business" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the New Issue (after deducting underwriting fees and estimated expenses in connection with the Global Offering (assuming an Offer Price of HK$1.75 per Share, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised)) will be approximately HK$135.0 million. Our Directors intend to apply the net proceeds from the New Issue as follows:

- approximately HK$63.5 million (approximately RMB50.0 million) (representing approximately 47.0% of the net proceeds from the New Issue) will be used for the purchase of freezer storage facilities for phase two of the New Production Base. The total investment cost of phase two of the New Production Base is expected to be approximately RMB70.0 million (equivalent to approximately HK$88.9 million. Apart from the net proceeds, the remaining balance of the investment cost will be funded by our internally generated funds. For further details of the development of our New Production Base, please refer to the paragraph headed "Continue to expand our slaughtering and processing capacity" in the section headed "Our business" in this prospectus;

- approximately HK$49.2 million (approximately RMB38.8 million) (representing approximately 36.5% of the net proceeds from the New Issue) will be used for developing the Wuxihe Xiang Breeding Farm, of which (i) approximately HK$27.6 million will be used for constructing the breeding, farming and environmental facilities (including approximately HK$0.4 million for the construction of infrastructure, approximately HK$19.4 million for the construction of production facilities and approximately HK$7.8 million for the construction of staff dormitory and ancillary facilities); (ii) approximately HK$10.3 million for the acquisition and installation of relevant equipment (including approximately HK$8.5 million for the acquisition and installation of production facilities and approximately HK$1.8 million for the acquisition and installation of staff dormitory and ancillary facilities); and (iii) approximately HK$11.3 million for the purchase of breeder hogs. The total investment cost of the Wuxihe Xiang Breeding Farm is expected to be approximately RMB38.8 million (equivalent to approximately HK$49.2 million); and

- the remainder of approximately HK$22.3 million (approximately RMB17.6 million) (representing approximately 16.5% of the net proceeds from the New Issue) will be used for developing the Dingjiagang Xiang Breeding Farm, of which, (i) approximately HK$16.9 million for the infrastructure and construction cost (including approximately HK$0.3 million for the construction of infrastructure, approximately HK$11.6 million for the construction of production facilities and approximately HK$5.0 million for the construction of staff dormitory and ancillary facilities); and (ii) approximately HK$5.4 million for the acquisition and installation of production facilities. The total investment cost of the Dingjiagang Xiang Breeding Farm is expected to be approximately RMB23.8 million (equivalent to approximately HK$30.2 million). Apart from the net proceeds, the remaining balance of the investment cost will be funded by our internally generated funds.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$2.05 per Share, the net proceeds we receive from the New Issue will increase by approximately HK$29.1 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$1.45 per Share, the net proceeds we receive from the New Issue will decrease by approximately HK$29.1 million. Depending on the amount of the net proceeds of the New Issue based on the Offer Price to be fixed, other than the amount of HK$63.5 million which will be utilised for the purchase of freezer storage facilities as mentioned above, we intend to apply the net proceeds from the New Issue towards the investment costs of the Three New Breeding Farms in the following order: (a) firstly, the Wuxihe Xiang Breeding Farm; (b) secondly, if there is surplus after application towards the Wuxihe Xiang Breeding Farm, the Dingjiagang Xiang Breeding Farm; and (c) lastly, if there is surplus after application towards the Wuxihe Xiang Breeding Farm and the Dingjiagang Xiang Breeding Farm, the Huangtudian Breeding Farm. Details of the investment cost of the Three New Breeding Farms are set out in the paragraph headed “Continue to expand our hog breeding and farming capacity” in the section headed “Our business” in this prospectus.

If the Over-allotment Option is exercised in full and the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$2.05 per Share, we estimate that the additional net proceeds from the offering of these additional New Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately HK$64.9 million. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the investment cost of the Three New Breeding Farms in accordance with the priority set out in the preceding paragraph and the remainder of approximately HK$26.9 million for general working capital.

We estimate the net proceeds to the Selling Shareholder from the Sale Shares will be approximately HK$27.0 million (to be received upon Listing and assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range and no exercise of the Over-allotment Option), after deducting the underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Global Offering. Our Company will not receive any proceeds from the Sale Shares in the Global Offering. The Selling Shareholder will not receive any of the net proceeds from the exercise of the Over-allotment Option.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

GLOBAL COORDINATOR AND BOOKRUNNER

Cinda International Securities Limited

HONG KONG UNDERWRITERS

Lead Manager
Cinda International Securities Limited

Co-lead Manager
Guosen Securities (HK) Capital Company Limited

Co-manager
Convoy Investment Services Limited
Guotai Junan Securities (Hong Kong) Limited
South China Securities Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Global Coordinator, for itself and on behalf of the Underwriters, and our Company, for ourselves and on behalf of the Selling Shareholder, agreeing to the final Offer Price), the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement if they see fit upon the occurrence of any of the following events:

(a) there has come to the notice of the Global Coordinator that:

(i) any breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or

(ii) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other documents published or issued by or on behalf of the Company, the Selling Shareholder, or the International Underwriters for the purposes of or in connection with the Global Offering ("**Offer Documents**") considered by the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was or has become or been discovered to be untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or

(iii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(iv) the Company withdraws any of the Offer Documents (or any document, other documents used in connection with the contemplated subscription and sale of Offer Shares) or the Global Offering; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the warranties under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or

(vi) any change or development involving a prospective change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of the Group considered by the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

(vii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

(viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) a petition or an order is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(x) a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(b) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of the Group or the Global Offering (the "**Relevant Jurisdictions**"); or

(iii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, the BVI, the European Union (or any member thereof) or any of the Relevant Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in the Shares; or

(vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or

(viii) the chairman or chief executive officer of the Company vacating his or her office; or

(ix) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(x) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or

(xi) non-compliance with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xiii) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, has been withdrawn or cancelled and the Global Coordinator, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xiv) any litigation or claim being threatened or instigated against any Group Company; or

(xv) any of the Directors, any senior management members of the Company as set out in the "Directors, senior management and employees" section of this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors and senior management members in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(xvi) any contravention by any Group Company or any Director of the Companies Ordinance, the SFO or any of the Listing Rules; or

(xvii) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies Ordinance or the Listing Rules,

which in each case or in aggregate in the sole and absolute opinion of the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) is or will or could be expected to have an adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group or any Group Company or on any present or prospective shareholder in his, her or its capacity as such; or

(b) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Offering; or

(c) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice or shall otherwise result in an interruption to or delay thereof; or

(d) has or will have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the offer for sale of the Sale Shares by the Selling Shareholder, the Global Offering and the Over-allotment Option as described and contained in this prospectus, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(a) when it/he/she pledges or charges any Shares beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it/he/her receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Except pursuant to the Global Offering, the Capitalisation Issue (including pursuant to the Over-allotment Option) and options which may be granted under a share option scheme or with the prior written consent of the Sponsor and unless in compliance with the requirements of the Listing Rules:

(a) the Company will not, and will procure that its subsidiaries will not, allot or issue or agree to allot or issue, Shares or other securities of the Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants or other rights to subscribe for or convertible or exchangeable into Shares or other securities of the Company or repurchase Shares of other securities of the Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic or consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so from the date hereof up to the expiry of the six months immediately following the Listing Date (the "**First Six Months Period**");

(b) the Company will not enter into any of the transactions described in paragraph (a) above or agree or contract to or publicly announce any intention to enter into any such transactions such that any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company during the period of six months immediately following the expiry of the First Six Months Period (the "**Second Six Months Period**"); and

(c) the Company will ensure that if any of the transactions described in paragraph (a) above is carried out during the Second Six Months Period, it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

By our Controlling Shareholders

Each of our Controlling Shareholders hereby jointly and severally undertakes to each of the Sponsor, the Global Coordinator, the Company and the Hong Kong Underwriters that:

(i) during the First Six Months Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him/her ("**Controlled Entities**") shall not, without the prior written consent of the Sponsor, the Global Coordinator and the Stock Exchange and unless pursuant to the sale of the Offer Shares by the Selling Shareholder as part of the International Offering and/or as a result of any exercise of the Over-allotment Option or the stock borrowing arrangement with the Global Coordinator as contemplated under the Stock Borrowing Agreement which shall be effected in compliance with the requirements under Rule 10.07(3) of the Listing Rules, (a) offer, accept subscription for, pledge, issue, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any other securities of the Company (including any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any of the Shares or securities of the Company) or any interest therein beneficially owned by it/him directly or indirectly through its Controlled Entities (the "**Relevant Securities**"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in subparagraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares of such other securities, in cash or otherwise;

(ii) during the Second Six Months Period, it/he/she shall not, and shall procure that the relevant registered holder(s) shall not, directly or indirectly without the prior written consent of the Sponsor, the Global Coordinator and the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders (as defined in the Listing Rule) of the Company;

(iii) in the event of a disposal of any Shares or securities of the Company or any interest therein within the Second Six Months Period, it/he/she shall take reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of the Company; and

(iv) it/he/she shall, and shall procure that the relevant registered holder(s) shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) of any Shares or other securities of the Company.

Each of the Controlling Shareholders further undertakes to each of the Sponsor, the Company, the Global Coordinator and the Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in the Company is made in the prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

(i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company and the Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Sponsor in writing of such indications.

The Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

International Offering

In connection with the International Offering, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Offer Shares being offered pursuant to the International Offering.

Our Company is expected to grant to the Global Coordinator the Over-allotment Option, exercisable by the Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offer to require our Company to allot and issue up to an aggregate of 18,000,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

Commission and expenses

The Underwriters will receive an underwriting commission of 3.0% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Global Offering respectively.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Save for their obligations under the Hong Kong Underwriting Agreements, none of the Hong Kong Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sponsor's Independence

CICL satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer which forms part of the Global Offering. CICL is the Sponsor for the listing of the Shares on the Stock Exchange and CISL is the Global Coordinator, Bookrunner and Lead Manager of the Global Offering.

The Global Offering initially consists of (subject to the Over-allotment Option):

(i) the Hong Kong Public Offer of 12,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed "Hong Kong Public Offer" in this section below; and

(ii) the International Offering of 108,000,000 Offer Shares comprising 88,000,000 New Shares and 20,000,000 Sale Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offer. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offer and International Offering respectively may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" in this section of the prospectus.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholder) and the Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and any options which may be granted under Share Option Scheme;

(ii) the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date and the Price Determination Agreement not having been subsequently revoked;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Global Coordinator, for itself and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hsihl.com** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 27 February 2014 but will only become valid certificates of title at 8:00 a.m. on Friday, 28 February 2014 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 12,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering and (ii) the Hong Kong Public Offer as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 3% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section of the prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offer and the International Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million or below (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million and up to the total value of Pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares (other than the Sale Shares which are offered for sale by the Selling Shareholder pursuant to the International Offering) between the Hong Kong Public Offer and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 36,000,000 Offer Shares (in the case of (i)), 48,000,000 Offer Shares (in the case of (ii)) and 60,000,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering respectively (before any exercise of the Over-allotment Option) and in each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be reduced correspondingly, in such manner as the Global Coordinator deems appropriate. In addition, the Global Coordinator may, at its sole and absolute discretion, reallocate Offer Shares from the International Offering to the Hong Kong Public Offer to satisfy in whole or in part the valid applications in the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed for, the Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportion as the Global Coordinator deems appropriate.

Applications

The Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Shares under Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK$2.05 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of HK$0.005% amounting to a total of HK$4,141.33 per board lot of 2,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price determination of the Global Offering" in this section of the prospectus, is less than the maximum price of HK$2.05 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the paragraph headed "13. Refund of application monies" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Offering will be 108,000,000 Shares comprising 88,000,000 New Shares and 20,000,000 Sale Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option).

The International Offering is subject to the Hong Kong Public Offer being unconditional.

Allocation

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Global Coordinator (for itself and on behalf of the International Underwriters) that exercisable at the sole discretion of the Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offer, to require our Company to allot and issue up to 18,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.3% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 21 February 2014, and in any event on or before Thursday, 27 February 2014, by agreement between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder). If, for any reason, the Offer Price is not agreed between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by Thursday, 27 February 2014, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK$2.05 per Share and is expected to be not less than HK$1.45 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consent (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hsihl.com** notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company (for itself and on behalf of the Selling Shareholder) with the Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offer, are expected to be announced on Thursday, 27 February 2014 in the manner set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

The Global Coordinator has been appointed by us as the stabilising manager ("**Stabilising Manager**") for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on 23 March 2014, being the 30th day after the last day for lodging of applications under the Hong Kong Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Global Coordinator and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 18,000,000 Shares in aggregate, which is approximately 15% of the Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), the Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above;

(a) (1) over-allocate our Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;

(c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and

(d) offer or attempt to do anything described in (a)(2), (b) and (c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;

- liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;

- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 23 March 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the market price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager may choose to borrow up to 18,000,000 Shares from Huimin, being one of the Controlling Shareholders, equivalent to the maximum number of additional Shares to be issued upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Listing Rules:

- the Stock Borrowing Agreement will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Huimin or its nominees (as the case may be) within three business days (being days on which the Stock Exchange is open for the business of dealing in securities) after the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the date on which the Over-allotment Option is exercised in full;

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to Huimin by the Stabilising Manager in relation to the Stock Borrowing Agreement.

COMMENCEMENT OF DEALING IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 28 February 2014, it is expected that dealings in the Offer Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Friday, 28 February 2014, and will be traded in board lots of 2,000 Shares.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Monday, 17 February 2014 to Thursday, 20 February 2014 and between 9:00 a.m. to 12:00 noon on 21 February 2014 from:

(i) the following addresses of the Hong Kong Underwriters:

Cinda International Securities Limited	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Guosen Securities (HK) Capital Company Limited	Unit 1604–6, Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Convoy Investment Services Limited	Room C, 24/F, CONVOY 169 Electric Road, North Point Hong Kong

Guotai Junan Securities (Hong Kong) Limited	27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
South China Securities Limited	28/F., Bank of China Tower 1 Garden Road, Central Hong Kong
VC Brokerage Limited	28/F., The Centrium 60 Wyndham Street Central, Hong Kong

(ii) any of the branches of the following receiving bank:

The Bank of East Asia, Limited

	Branch	**Address**
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Hong Kong
	Wanchai Branch	Shop A–C, G/F, Easey Commercial Building, 253–261 Hennessy Road, Wanchai
	Shaukiwan Branch	G/F, Ka Fook Building, 289–293 Shau Kei Wan Road
	Taikoo Shing Branch	Shop G1010–1011, Yiu Sing Mansion
	Queen's Road East Branch	Ground Floor Shop B & C, 228 Queen's Road East, Wanchai
Kowloon	Mongkok Branch	638–640 Nathan Road
	Waterloo Road Branch	Shop A, G/F, Richland House, 77B & 77C Waterloo Road
	Kwun Tong Branch	7 Hong Ning Road
	East Tsim Sha Tsui Branch	Shop G3–G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall
New Territories	Tai Wai Branch	16–18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Tai Po Branch	62–66 Po Heung Street, Tai Po Market
	Yuen Long Branch	77 Castle Peak Road
	Park Central Branch	Shop G6, G/F, Park Central, 9 Tong Tak Street, Tseung Kwan O
	Ha Kwai Chung Branch	202 Hing Fong Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 17 February 2014 until 12:00 noon on Friday, 21 February 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to The Bank of East Asia (Nominees) Limited — Huisheng International Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 17 February 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 18 February 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 19 February 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 20 February 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 21 February 2014	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 21 February 2014, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 17 February 2014 until 11:30 a.m. on Friday, 21 February 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 21 February 2014 or such later time under the "10. Effects of bad weather on the opening of the applications lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Monday, 17 February 2014 — 9:00 a.m. to 8:30 p.m.(1)**
- **Tuesday, 18 February 2014 — 8:00 a.m. to 8:30 p.m.(1)**
- **Wednesday, 19 February 2014 — 8:00 a.m. to 8:30 p.m.(1)**
- **Thursday, 20 February 2014 — 8:00 a.m. to 8:30 p.m.(1)**
- **Friday, 21 February 2014 — 8:00 a.m.(1) to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 17 February 2014 until 12:00 noon on Friday, 21 February 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 21 February 2014, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Bookrunner, the Sponsor, the Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet

System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 21 February 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Price determination of the Global Offering" in the section headed "Structure of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 21 February 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 21 February 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 27 February 2014 in The Standard (in English) and Hong Kong Economic Journal (in Chinese), on our Company's website at **www.hsihl.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.hsihl.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Thursday, 27 February 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 27 February 2014 to midnight on Wednesday, 5 March 2014;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 27 February 2014 to Tuesday, 4 March 2014;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 27 February 2014 to Monday, 3 March 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.05 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Global Offering" in the section headed "Structure of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 27 February 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 27 February 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 28 February 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 February 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 27 February 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 27 February 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 27 February 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on, Thursday, 27 February 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 February 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 27 February 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 27 February 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of results" above on Thursday, 27 February 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 February 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 27 February 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 27 February 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

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

17 February 2014

The Directors
Huisheng International Holdings Limited
Cinda International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Huisheng International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2010, 2011, 2012 and the nine months ended 30 September 2013 (the "Track Record Period"), and the consolidated statements of financial position of the Group as at 31 December 2010, 2011, 2012 and 30 September 2013, together with the notes there to (the "Financial Information"), and the comparative consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the nine months ended 30 September 2012 (the "Unaudited Comparative Financial Information"), prepared on the basis set out in Note 3 of Section II below, for inclusion in the prospectus of the Company dated 17 February 2014 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a resolution passed at the directors' meeting of the Company held on 27 October 2011, the English name of the Company was changed from "Huisheng International Holdings Ltd." to "Huisheng International Holdings Limited", and "惠生國際控股有限公司" was adopted as the Chinese name of the Company effective from 28 October 2011. Pursuant to a reorganisation, as more fully explained in the paragraph headed "The Reorganisation" in the section headed "Corporate History, Development and Reorganisation" to the Prospectus (the "Reorganisation"), the Company became the holding company of the Group on 10 November 2011.

During the Track Record Period and as at the date of this report, the Company has the following subsidiaries comprising the Group.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest held by the Company: As at 31 December 2010	2011	2012	As at 30 September 2013	At the date of this report	Principal activities
			%	%	%	%	%	
Huisheng Food Holdings Limited ("Huisheng (BVI)")	British Virgin Islands ("BVI"), 3 October 2011	Ordinary shares HK$1	—	100	100	100	100	Investment holding
Hongkong Huisheng Meat Food Limited ("Hong Kong Huisheng")	Hong Kong, 14 March 2006	Ordinary shares HK$5,000,000	100	100	100	100	100	Investment holding
Hunan Huisheng Meat Products Company Limited (湖南惠生肉業有限公司) (formerly known as Hunan Huisheng Meat Products Joint Stock Company Limited) ("Hunan Huisheng")	The People's Republic of China (the "PRC"), 18 December 2007	Registered capital RMB30,300,000	100	100	100	100	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited (臨澧惠生肉業有限公司) ("Linli Huisheng")	The PRC, 19 August 2013	Registered capital RMB12,000,000	—	—	—	100	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited (臨澧惠生生態豬養殖有限公司) ("Linli JV")	The PRC, 17 September 2013	Registered capital RMB16,000,000	—	—	—	71.9	71.9	Breeding and sale of piglets and porkers and provision of consultancy service in hog breeding

The statutory financial statements of the Company from date of incorporation to 31 December 2012 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance were audited by us. No audited statutory financial statements have been prepared for Huisheng (BVI) since its incorporation as there is no statutory requirement in the jurisdictions where it was incorporated.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The audited statutory financial statements of the Company's subsidiaries incorporated/established in Hong Kong and the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated/established in Hong Kong and the PRC and were audited by:

Name of subsidiary	Financial year	Name of auditor
Hong Kong Huisheng	Years ended 31 December 2010 and 2011	Anthony Ho & Company 何立榮會計師事務所
Hunan Huisheng	Year ended 31 December 2010	Hunan Tianping Zhengda Certified Public Accountant's Firm Ltd. Changde Subsection 湖南天平正大有限責任會計師事務所常德分所

Name of subsidiary	Financial year	Name of auditor
	Years ended 31 December 2011 and 2012	Hunan Changde Licheng Certified Public Accountants Ltd. 湖南里程有限責任會計師事務所常德分所

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the unaudited financial statements of the Group in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The Financial Information for each of the Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Prospectus, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 3 of Section II. The directors are responsible for the preparation of the Financial Information and the Unaudited Comparative Financial Information that give a true and fair view in accordance with HKFRSs and the disclosure requirements of Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information and the Unaudited Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the consolidated state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 September 2013 and of the state of affairs of the Company as at 31 December 2011 and 2012 and 30 September 2013 and of the consolidated results and cash flows of the Group for the Track Record Period.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Nine months ended 30 September 2012	Nine months ended 30 September 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	754,168	1,073,892	1,047,620	789,520	803,901
Cost of sales		(655,668)	(916,263)	(915,391)	(690,522)	(699,780)
Gross profit		98,500	157,629	132,229	98,998	104,121
Other income	6	416	1,530	1,737	1,532	1,681
Gain/(losses) arising from changes in fair value less costs to sell of biological assets	19	1,124	(45)	(3,327)	(3,987)	(799)
Selling and distribution expenses		(10,345)	(13,585)	(13,490)	(10,073)	(10,119)
Administrative expenses		(8,437)	(16,566)	(17,155)	(14,363)	(16,844)
Finance costs	8	(787)	(1,434)	(5,901)	(4,476)	(8,121)
Profit before taxation		80,471	127,529	94,093	67,631	69,919
Taxation	9	—	—	—	—	—
Profit for the year/period	10	80,471	127,529	94,093	67,631	69,919
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations		—	—	300	305	1,587
Other comprehensive income for the year/period, net of tax		—	—	300	305	1,587
Total comprehensive income for the year/period		80,471	127,529	94,393	67,936	71,506

	Notes	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Nine months ended 30 September 2012	Nine months ended 30 September 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period attributable to:						
Owners of the Company		80,471	127,529	94,093	67,631	69,919
Non-controlling interests		—	—	—	—	—
		80,471	127,529	94,093	67,631	69,919
Total comprehensive income for the year/period attributable to:						
Owners of the Company		80,471	127,529	94,393	67,936	71,506
Non-controlling interests		—	—	—	—	—
		80,471	127,529	94,393	67,936	71,506
Earnings per share attributable to owners of the Company	14					
Basic and diluted *(RMB cents)*		26.8	42.5	31.4	22.5	23.3

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Financial Position

	Notes	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 September 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	15	32,035	44,625	75,199	218,554
Prepaid lease payments	16	23,520	35,795	35,060	34,509
Biological assets	19	8,874	6,915	6,395	6,151
Deposits and prepayments for property, plant and equipment	22	—	435	38,470	6,370
Deposits for prepaid lease payments	22	2,680	—	—	—
Available-for-sale investment	18	—	—	—	1,500
		67,109	87,770	155,124	267,084
Current assets					
Biological assets	19	7,904	7,201	7,855	7,725
Inventories	20	3,220	3,536	1,683	2,793
Prepaid lease payments	16	480	735	735	735
Trade receivables	21	80,760	126,798	124,595	124,594
Deposits paid, prepayments and other receivables	22	136	921	2,669	2,802
Amount due from shareholders	26	3,333	—	—	25
Amount due from a related party	27	469	478	—	—
Bank balances and cash	23	74,638	206,703	202,613	268,604
		170,940	346,372	340,150	407,278
Current liabilities					
Trade payables	24	74,145	150,322	106,257	107,043
Accruals and other payables	25	27,968	11,233	18,902	20,865
Amount due to a shareholder	26	—	1,127	1,428	1,976
Borrowings — due within one year	28	8,000	61,960	64,817	54,000
Deferred revenue	31	—	89	87	89
		110,113	224,731	191,491	183,973
Net current assets		60,827	121,641	148,659	223,305
Total assets less current liabilities		127,936	209,411	303,783	490,389

	Notes	As at 31 December 2010 RMB'000	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 30 September 2013 RMB'000
Non-current liabilities					
Borrowings — due after one year	28	7,000	—	—	—
Loan from government	29	—	677	744	792
Notes payable	30	—	—	—	55,598
Deferred revenue	31	—	683	595	577
		7,000	1,360	1,339	56,967
Net assets		120,936	208,051	302,444	433,422
Equity					
Paid-in/Share capital	32	33,886	—	—	—
Share premium and reserves	33	87,050	208,051	302,444	428,922
Equity attributable to owners of the Company		120,936	208,051	302,444	428,922
Non-controlling interests		—	—	—	4,500
Total equity		120,936	208,051	302,444	433,422

The accompanying notes form an integral part of the Financial Information.

Statements of Financial Position

	Notes	As at 31 December 2011	As at 31 December 2012	As at 30 September 2013
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Non-current asset				
Investment in a subsidiary	17	—	—	—
Current assets				
Prepayments	22	643	871	1,826
Amount due from shareholders	26	—	—	25
Amount due from subsidiaries	17	8,225	2,556	15,444
		8,868	3,427	17,295
Net current assets		8,868	3,427	17,295
Total assets		8,868	3,427	17,295
Net assets		8,868	3,427	17,295
Equity				
Share capital	32	—	—	—
Share premium and reserves	33	8,868	3,427	17,295
Total equity		8,868	3,427	17,295

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Changes in Equity

	Paid-in/ Share capital	Share premium	Exchange reserve	Statutory surplus reserve	Other reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000* *(note b)*	*RMB'000*	*RMB'000* *(note a)*	*RMB'000* *(notes b and c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2010	33,886	—	—	6,882	2,271	59,361	102,400	—	102,400
Profit and total comprehensive income for the year	—	—	—	—	—	80,471	80,471	—	80,471
Dividends paid *(note 13)*	—	—	—	—	—	(61,935)	(61,935)	—	(61,935)
Transfer	—	—	—	8,032	—	(8,032)	—	—	—
As at 31 December 2010 and 1 January 2011	33,886	—	—	14,914	2,271	69,865	120,936	—	120,936
Profit and total comprehensive income for the year	—	—	—	—	—	127,529	127,529	—	127,529
Capital contributions	1,600	—	—	—	—	—	1,600	—	1,600
Issue of new shares of the Company	—	13,860	—	—	—	—	13,860	—	13,860
Arising from reorganisation	(35,486)	—	—	—	(20,388)	—	(55,874)	—	(55,874)
Transfer	—	—	—	236	—	(236)	—	—	—
As at 31 December 2011 and 1 January 2012	—	13,860	—	15,150	(18,117)	197,158	208,051	—	208,051
Profit and total comprehensive income for the year	—	—	300	—	—	94,093	94,393	—	94,393
Transfer	—	—	—	—	—	—	—	—	—
As at 31 December 2012 and 1 January 2013	—	13,860	300	15,150	(18,117)	291,251	302,444	—	302,444
Profit and total comprehensive income for the period	—	—	1,587	—	—	69,919	71,506	—	71,506
Transfer	—	—	—	—	—	—	—	—	—
Issue of new shares of the Company	—	19,764	—	—	—	—	19,764	—	19,764
Shareholders contribution	—	—	—	—	35,208	—	35,208	—	35,208
Establishment of a subsidiary	—	—	—	—	—	—	—	4,500	4,500
As at 30 September 2013	—	33,624	1,887	15,150	17,091	361,170	428,922	4,500	433,422
As at 1 January 2012	—	13,860	—	15,150	(18,117)	197,158	208,051	—	208,051
Profit and total comprehensive income for the period	—	—	305	—	—	67,631	67,936	—	67,936
As at 30 September 2012 (unaudited)	—	13,860	305	15,150	(18,117)	264,789	275,987	—	275,987

Notes:

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

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

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

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

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

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

As a step of the reorganisation, Mr. Yau transferred its 25% equity interest in Hunan Huisheng to Hong Kong Huisheng at a consideration of RMB13,860,000 was, according to equity transfer agreement entered into between Mr. Yau and Hong Kong Huisheng, settled by the Company issuing and allotting 500 shares, credited as fully paid and representing 5% of the then issued share capital of the Company as enlarged by such issue, on 29 December 2011. Thus, the amount of RMB13,860,000 and an exchange difference of approximately RMB 437,000 were recognised as deemed distribution to the shareholders.

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Cash Flows

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Nine months ended 30 September 2012	Nine months ended 30 September 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities					
Profit before taxation	80,471	127,529	94,093	67,631	69,919
Adjustments for:					
Interest income	(175)	(536)	(1,017)	(815)	(785)
Finance costs	787	1,434	5,901	4,476	8,121
Depreciation of property, plant and equipment	2,409	2,412	2,582	1,864	2,060
Net foreign exchange losses/(gain)	116	(51)	67	86	139
Amortisation of prepaid lease payments	—	216	735	551	551
Loss on disposal of property, plant and equipment	—	14	—	—	—
Gains from selling of non-current biological assets	(193)	(573)	(616)	(616)	(736)
(Gain)/losses arising from changes in fair values less costs to sell of biological assets	(1,124)	45	3,327	3,987	799
Operating cash flows before movements in working capital	82,291	130,490	105,072	77,164	80,068
Decrease/(increase) in inventories	10	(316)	1,853	1,142	(1,110)
Decrease in biological assets	1,714	9,316	5,007	1,273	5,728
(Increase)/decrease in trade receivables	(17,779)	(46,038)	2,203	16,151	1
Decrease/(increase) in deposits paid, prepayments and other receivables	329	(785)	(1,748)	263	(133)
(Increase)/decrease in amount due from a related party	(85)	(9)	478	478	—
Increase/(decrease) in trade payables	39,434	76,177	(44,065)	(37,015)	786
Increase/(decrease) in accruals and other payables	24,196	(16,735)	7,669	4,672	(10,022)
Net cash generated from operating activities	130,110	152,100	76,469	64,128	75,318

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Nine months ended 30 September 2012	Nine months ended 30 September 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Investing activities					
Interest received	175	534	928	748	700
Purchase of property, plant and equipment	(328)	(15,016)	(32,966)	(18,768)	(111,944)
Acquisition of prepaid lease payments	(24,000)	(10,066)	—	—	—
Addition of non-current biological assets	(6,181)	(6,864)	(8,550)	(6,485)	(6,300)
Proceeds on disposals of non-current biological assets	317	738	698	698	883
Deposits and prepayments for property, plant and equipment	—	(435)	(38,225)	(16,508)	(1,371)
Deposits for prepaid lease payments	(2,680)	—	—	—	—
Repurchase of equity interest in a subsidiary in relation to reorganisation	—	(41,577)	—	—	—
Increase in available-for-sale investment	—	—	—	—	(1,500)
Increase in deferred revenue	—	451	—	—	69
Net cash used in investing activities	(32,697)	(72,235)	(78,115)	(40,315)	(119,463)
Financing activities					
Interest paid	(787)	(1,434)	(5,835)	(4,426)	(4,228)
Dividends paid	(61,935)	—	—	—	—
Proceeds from borrowings	15,000	54,960	20,000	15,000	54,000
Repayment of borrowings	(12,000)	(8,000)	(16,900)	(16,900)	(20,000)
Proceeds from a government loan	—	1,000	—	—	—
Proceeds on issue of shares	—	1,600	—	—	—
Advance from shareholders	21	4,462	301	220	523
Net proceeds from issue of notes	—	—	—	—	54,129
Capital injection	—	—	—	—	24,264
Net cash (used in)/generated from financing activities	(59,701)	52,588	(2,434)	(6,106)	108,688
Net increase/(decrease) in cash and cash equivalents	37,712	132,453	(4,080)	17,707	64,543
Cash and cash equivalents at the beginning of the year/period	37,042	74,638	206,703	206,703	202,613
Effect of exchange rate changes	(116)	(388)	(10)	(27)	1,448
Cash and cash equivalents at the end of the year/period	74,638	206,703	202,613	224,383	268,604

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with limited liability under the Companies Law. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Room 901, 9th Floor, Loon Kee Building, 267–275 Des Voeux Road Central, Sheung Wan, Hong Kong.

Pursuant to a resolution passed at the directors' meeting of the Company held on 27 October 2011, the English name of the Company was changed from "Huisheng International Holdings Ltd." To "Huisheng International Holdings Limited", and "惠生國際控股有限公司" was adopted as the Chinese name of the Company effective from 28 October 2011.

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

2. REORGANISATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Introduction

The Financial Information has been prepared under the historical cost convention except for biological assets, which are measured at fair value less costs to sell, as explained in the accounting policies set out below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

For the purpose of preparing the Financial Information and Unaudited Comparative Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2010 throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

(b) Application of New and Revised Standards and Interpretations

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these new and revised standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments[2]
HKFRS 7 & HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

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

The directors anticipate that HKFRS 9 will be adopted in the Group's financial statements for its financial year ending 31 December 2015.

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

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

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

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

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

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

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

Similar relief will be included in HKFRS 9.

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

The directors anticipate that amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) will be adopted in the Group's financial statements for its financial year ending 31 December 2014.

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

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

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

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

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

Amendments to HKAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

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

The directors anticipate that amendments to HKFRS 36 will be adopted in the Group's financial statements for its financial year ending 31 December 2014.

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

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

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

Similar relief will be included in HKFRS 9.

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

The directors anticipate that amendments to HKFRS 36 will be adopted in the Group's financial statements for its financial year ending 31 December 2014.

HK(IFRIC)-Int 21 Levies

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

The directors anticipate that HK(IFRIC)-Int 21 will be adopted in the Group's financial statements for its financial year ending 31 December 2014.

(c) Basis of presentation

The controlling shareholder owned and controlled the companies now comprising the Group before the Reorganisation and continues to own and control these companies after the Reorganisation. For the purposes of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the

Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period or since the respective dates when these companies first came under the control of the Controlling Shareholder, whichever is the shorter period, in a manner similar to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

All significant intra-group transactions and balances have been eliminated on combination.

(d) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquire at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

(e) Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

(f) Revenue recognition

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

(i) Sale 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.

(ii) Service income

Service income is recognised when services are provided.

(iii) Interest income

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

(g) 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.

(h) 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 Track Record 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.

(i) 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.

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each 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 Track Record Period in which they arise except for:

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

- Exchange differences on 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 purposes of presenting these consolidated financial information, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate 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 (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, 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 that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements 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 to identifiable assets acquired 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.

(k) 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 Track Record Period in which they are incurred.

(l) 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 as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss 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 (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing interest rates.

(m) 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.

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

Deferred tax

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

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

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

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

(o) Property, plant and equipment

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

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

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

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

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

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

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

(p) Inventories

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

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

(q) Biological assets

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

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

(r) Prepaid lease payments

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

(s) Impairment losses

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(t) Financial instruments

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity

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

Equity instrument

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

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

(u) Related parties transactions

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

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

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

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

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) 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);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

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

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

4. 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

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

(b) Impairment of trade and other receivables

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

(c) Depreciation

Items of property, plant and equipment are depreciated 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 is adjusted if there are significant changes from previous estimates.

(d) Fair values of biological assets

The biological assets are measured at fair value less costs to sell in accordance with Hong Kong Accounting Standard 41 Agriculture and Hong Kong Financial Reporting Standard 13 Fair Value Measurement. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in notes 5(c) and 19.

5. FINANCIAL INSTRUMENTS AND FAIR VALUES

(a) Categories of financial instruments

The Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including bank balances and cash)				
— Trade receivables	80,760	126,798	124,595	124,594
— Amount due from shareholders	3,333	—	—	25
— Amount due from a related party	469	478	—	—
— Bank balances and cash	74,638	206,703	202,613	268,604

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Amortised cost				
— Trade payables	74,145	150,322	106,257	107,043
— Accruals and other payables	27,968	11,233	18,902	20,865
— Amount due to a shareholder	—	1,127	1,428	1,976
— Borrowings	15,000	61,960	64,817	54,000
— Loan from government	—	677	744	792
— Notes payable	—	—	—	55,598

The Company

	As at 31 December		As at 30 September
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables			
— Amount due from shareholders	—	—	25
— Amount due from subsidiaries	8,225	2,556	15,444

(b) Financial risk management and fair values

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

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

Credit risk

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

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

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

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 would decrease/increase by approximately RMB52,000, RMB81,000, RMB308,000 and RMB255,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Currency risk

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

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

Business risk

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

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

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

Liquidity risk

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

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

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

The Group

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010						
Non-derivative financial liabilities						
Trade payables	—	74,145	—	—	74,145	74,145
Accruals and other payables	—	27,968	—	—	27,968	27,968
Borrowings	6.61	8,233	8,173	—	16,406	15,000
		110,346	8,173	—	118,519	117,113

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011						
Non-derivative financial liabilities						
Trade payables	—	150,322	—	—	150,322	150,322
Accruals and other payables	—	11,233	—	—	11,233	11,233
Amount due to a shareholder	—	1,127	—	—	1,127	1,127
Borrowings	9.34	61,960	—	—	61,960	61,960
Loan from government	5.90	—	1,000	—	1,000	677
		224,642	1,000	—	225,642	225,319

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

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 September 2013						
Non-derivative financial liabilities						
Trade payables	—	107,043	—	—	107,043	107,043
Accruals and other payables	—	20,865	—	—	20,865	20,865
Amount due to a shareholder	—	1,976	—	—	1,976	1,976
Borrowings	7.83	54,000	—	—	54,000	54,000
Loan from government	6.40	—	1,000	—	1,000	792
Notes payable	10.58	—	—	60,000	60,000	55,598
		183,884	1,000	60,000	244,884	240,274

(c) Fair value

For financial reporting purpose, 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 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).

As at 31 December 2010

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Breeder hogs	—	—	8,874	8,874
Porkers	—	—	7,904	7,904
Total biological assets	—	—	16,778	16,778

As at 31 December 2011

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Breeder hogs	—	—	6,915	6,915
Porkers	—	—	7,201	7,201
Total biological assets	—	—	14,116	14,116

As at 31 December 2012

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

As at 30 September 2013

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Breeder hogs	—	—	6,151	6,151
Porkers	—	—	7,725	7,725
Total biological assets	—	—	13,876	13,876

There were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during the Track Record Period.

The reconciliation from the beginning balances to the ending balances for fair value measurements of the above assets are disclosed in note 19.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets			
Breeder hogs and porkers	The fair value less costs to sell of breeder hogs and porkers are determined with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price of porkers (RMB/kg): RMB14.25 to RMB17.10. • Prevailing market price of piglets/weaners (RMB/kg): RMB21.91 to RMB36.45. • Prevailing market price of boars (RMB/head): RMB5,080 to RMB5,487. • Prevailing market price of gilts (RMB/head): RMB2,230 to RMB2,360.	• The estimated fair value increases when the market price increase, and vice versa.

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

6. REVENUE AND OTHER INCOME

An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Sale of pork products	753,423	1,065,406	1,043,766	788,256	800,284
Others *(note)*	745	8,486	3,854	1,264	3,617
	754,168	1,073,892	1,047,620	789,520	803,901

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

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income					
Interest income on:					
Bank deposits	175	534	928	748	700
Amortisation of deferred revenue	—	2	89	67	85
Total interest income	175	536	1,017	815	785
Government grants *(note)*	48	370	102	100	160
Gains from selling of non-current biological assets, net	193	573	616	616	736
Net foreign exchange gains	—	51	—	—	—
Sundry income	—	—	2	1	—
	416	1,530	1,737	1,532	1,681

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

7. SEGMENT INFORMATION

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

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

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Segment profit before taxation reported to the CODMs	79,347	127,574	97,420	71,618	70,718
Add:					
Gain/(losses) arising from changes in fair value less costs to sell of biological assets *(note)*	1,124	(45)	(3,327)	(3,987)	(799)
Profit before taxation reported in the Financial Information	80,471	127,529	94,093	67,631	69,919

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Segment assets reported to the CODMs	119,812	208,096	305,771	279,974	434,221
Add:					
Gain/(losses) arising from changes in fair value less costs to sell of biological assets *(note)*	1,124	(45)	(3,327)	(3,987)	(799)
Assets reported in the Financial Information	120,936	208,051	302,444	275,987	433,422

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

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the Track Record Period.

Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the Track Record Period is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Hunan Province	615,669	917,466	880,865	666,499	691,224
Guangdong Province	110,189	113,339	117,394	82,334	79,321
Beijing	13,205	16,428	15,021	12,092	16,257
Others	15,105	26,659	34,340	28,595	17,099
	754,168	1,073,892	1,047,620	789,520	803,901

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

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

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 82%, 85%, 84% and 86% of the total revenue during the Track Record Period.

Information about major customers

No individual customers contributed over 10% of the total revenue of the Group during the Track Record Period.

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on:					
Borrowings wholly repayable within five years	787	1,434	5,835	4,426	4,228
Interest-free government loan	—	—	66	50	48
Notes payable	—	—	—	—	3,845
	787	1,434	5,901	4,476	8,121

9. TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Income tax expense	—	—	—	—	—

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

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

PRC

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

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

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

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

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	80,471	127,529	94,093	67,631	69,919
Tax at the application income tax rate	20,128	32,364	24,407	17,732	18,245
Tax exemption for subsidiary operating in the PRC	(20,302)	(33,573)	(26,333)	(19,409)	(20,218)
Tax effect of expenses not deductible for tax purpose *(note)*	153	1,025	1,092	1,024	1,415
Tax effect of different tax rate of subsidiary operating in other jurisdiction	21	184	834	653	558
	—	—	—	—	—

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

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

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Directors' emoluments *(note 11)*	286	297	341	237	246
Other staff costs:					
Salaries and other benefits	13,733	15,276	15,954	11,600	12,735
Retirement schemes contributions	1,902	2,191	2,881	2,110	2,633
	15,921	17,764	19,176	13,947	15,614
Auditors' remuneration	16	31	30	30	30
Depreciation of property, plant and equipment	2,409	2,412	2,582	1,864	2,060
Amortisation of prepaid lease payments (included in cost of sales)	—	216	735	551	551
Net foreign exchange losses	116	—	67	86	139
Cost of inventories recognised as expenses *(note)*	633,504	889,439	886,158	668,947	677,054
Operating lease rental expenses in respect of rented premises	104	147	251	228	312

Note: The amount include the service fee of nil, RMB60,000, RMB1,082,000 and RMB1,058,000 paid to fattening farms respectively during the Track Record Period.

11. DIRECTORS' EMOLUMENTS

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

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' fees	—	—	—	—	—
Salaries, allowances and benefits in kind	274	279	304	210	215
Discretionary bonus	—	—	—	—	—
Retirement schemes contributions	12	18	37	27	31
	286	297	341	237	246

Details for the emoluments of each director of the Company during the Track Record Period are as follows:

	Year ended 31 December 2010				
	Directors' fees	**Salaries, allowances, and benefits in kind**	**Discretionary bonus**	**Retirement schemes contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Ding	—	106	—	3	109
Mr. Yu Jishi	—	80	—	3	83
Mr. Ding Jingxi	—	47	—	3	50
Mr. Zhou Shigang	—	41	—	3	44
Non-executive director:					
Mr. Zhang Zhizhong	—	—	—	—	—
	—	274	—	12	286

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Ding	—	107	—	5	112
Mr. Yu Jishi	—	82	—	5	87
Mr. Ding Jingxi	—	48	—	4	52
Mr. Zhou Shigang	—	42	—	4	46
Non-executive director:					
Mr. Zhang Zhizhong	—	—	—	—	—
	—	279	—	18	297

	Year ended 31 December 2012				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Ding	—	115	—	11	126
Mr. Yu Jishi	—	88	—	10	98
Mr. Ding Jingxi	—	55	—	8	63
Mr. Zhou Shigang	—	46	—	8	54
Non-executive director:					
Mr. Zhang Zhizhong	—	—	—	—	—
	—	304	—	37	341

	Nine months ended 30 September 2012 (unaudited)				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Ding	—	79	—	8	87
Mr. Yu Jishi	—	61	—	7	68
Mr. Ding Jingxi	—	38	—	6	44
Mr. Zhou Shigang	—	32	—	6	38
Non-executive director:					
Mr. Zhang Zhizhong	—	—	—	—	—
	—	210	—	27	237

	Nine months ended 30 September 2013				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Ding	—	81	—	9	90
Mr. Yu Jishi	—	63	—	8	71
Mr. Ding Jingxi	—	38	—	7	45
Mr. Zhou Shigang	—	33	—	7	40
Non-executive director:					
Mr. Zhang Zhizhong	—	—	—	—	—
	—	215	—	31	246

Note: The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the Track Record Period. No directors waived or agreed to waive any emoluments during the Track Record Period.

12. EMPLOYEES EMOLUMENTS

The five highest paid individuals included two executive directors of the Company for the Track Record Period. Details of whose emoluments are set out above. The emoluments of the remaining three individuals, whose emoluments are individually below HK$1,000,000 for the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other allowances	257	511	561	501	229
Retirement schemes contributions	16	21	34	37	32
	273	532	595	538	261

During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Track Record Period.

13. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends recognised as during the year:					
Distribution of profits of Hunan Huisheng	61,935	—	—	—	—

No dividend has been paid or declared by the Company since the date of its incorporation.

The rate of dividend declared and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the owners of the Company for the Track Record Period and on the assumption that 300,000,000 ordinary shares had been in issue, comprising 10,419 in issue as at the date of this prospectus and 299,989,581 shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" set out in this prospectus as if the shares had been outstanding throughout the entire Track Record Period.

No diluted earnings per share is presented for the Track Record Period as there was no potential dilutive ordinary shares in issue.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at 1 January 2010	28,354	7,055	686	977	—	37,072
Additions	—	275	—	53	—	328
As at 31 December 2010 and 1 January 2011	28,354	7,330	686	1,030	—	37,400
Additions	—	2	130	65	14,819	15,016
Disposals	—	—	—	(18)	—	(18)
As at 31 December 2011 and 1 January 2012	28,354	7,332	816	1,077	14,819	52,398
Additions	—	2	—	172	32,982	33,156
Transfer	7,786	500	—	—	(8,286)	—
As at 31 December 2012 and 1 January 2013	36,140	7,834	816	1,249	39,515	85,554
Additions	—	—	—	—	145,415	145,415
Transfer	—	—	—	—	—	—
As at 30 September 2013	36,140	7,834	816	1,249	184,930	230,969
Accumulated depreciation						
As at 1 January 2010	1,384	1,017	219	336	—	2,956
Provided for the year	1,340	681	163	225	—	2,409
As at 31 December 2010 and 1 January 2011	2,724	1,698	382	561	—	5,365
Provided for the year	1,336	693	176	207	—	2,412
Disposals	—	—	—	(4)	—	(4)
As at 31 December 2011 and 1 January 2012	4,060	2,391	558	764	—	7,773
Provided for the year	1,523	734	113	212	—	2,582
As at 31 December 2012 and 1 January 2013	5,583	3,125	671	976	—	10,355
Provided for the period	1,284	563	51	162	—	2,060
As at 30 September 2013	6,867	3,688	722	1,138	—	12,415
Net book values						
As at 30 September 2013	29,273	4,146	94	111	184,930	218,554
As at 31 December 2012	30,557	4,709	145	273	39,515	75,199
As at 31 December 2011	24,294	4,941	258	313	14,819	44,625
As at 31 December 2010	25,630	5,632	304	469	—	32,035

As at 31 December 2010, the Group had not obtained the formal building ownership certificates for all properties included in buildings above. In the opinion of directors, the absence of formal title to these properties did not impair their values to the Group as the Group had obtained approvals from the relevant authorities for constructing and using such properties.

On 5 July 2011, the building ownership certificates of certain properties were approved by the relevant authority.

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

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

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

16. PREPAID LEASE PAYMENTS

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	—	24,000	36,530	35,795
Addition	24,000	12,746	—	—
Amortisation for the year/period	—	(216)	(735)	(551)
At the end of the year/period	24,000	36,530	35,795	35,244
Analysed for reporting purposes as:				
Non-current assets	23,520	35,795	35,060	34,509
Current assets	480	735	735	735
	24,000	36,530	35,795	35,244

In 2011, the Group received a government subsidy of RMB13.8 million to compensate the acquisition of a piece of land use right in the PRC. The amount has been deducted from the carrying amount of prepaid lease payments. The amount is recognised in profit or loss as a reduced amortisation expense over the lease period. In 2011, this policy has resulted in a credit to carrying amount of prepaid lease payment of RMB13,800,000. As at 31 December 2011, an amount of RMB36,530,000 remains to be amortised. In 2010, no aforesaid government subsidy was granted.

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

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

17. INVESTMENT IN A SUBSIDIARY

	As at 31 December		As at 30 September
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	—	—	—
Less: Provision for impairment	—	—	—
	—	—	—
Amount due from subsidiaries	8,225	2,556	15,444
Less: Provision for impairment	—	—	—
	8,225	2,556	15,444

The amount due from subsidiaries is unsecured, interest-free and recoverable/repayable on demand.

As at 30 September 2013, the unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment in the PRC	—	—	—	1,500

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

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

19. 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 numbers of biological assets are summarised as follows:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Breeder hogs	1,912	1,878	1,889	1,660
Porkers	11,971	9,972	11,599	10,994
	13,883	11,850	13,488	12,654

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.

	Breeder hogs	Porkers	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2010	5,967	5,344	11,311
Increase due to raising (Feeding cost and others)	6,181	19,462	25,643
Transfer	839	(839)	—
Decrease due to retirement and deaths	(123)	(165)	(288)
Decrease due to sales	(5,097)	(15,915)	(21,012)
Gains arising from changes in fair value less costs to sell	1,107	17	1,124
As at 31 December 2010 and 1 January 2011	8,874	7,904	16,778
Increase due to raising (Feeding cost and others)	6,864	21,354	28,218
Transfer	306	(306)	—
Decrease due to retirement and deaths	(167)	(231)	(398)
Decrease due to sales	(7,466)	(22,971)	(30,437)
(Losses)/gain arising from changes in fair value less costs to sell	(1,496)	1,451	(45)

	Breeder hogs	Porkers	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2011 and 1 January 2012	6,915	7,201	14,116
Increase due to purchases	761	—	761
Increase due to raising (Feeding cost and others)	7,789	24,310	32,099
Transfer	234	(234)	—
Decrease due to retirement and deaths	(83)	(222)	(305)
Decrease due to sales	(7,109)	(21,985)	(29,094)
Losses arising from changes in fair value less costs to sell	(2,112)	(1,215)	(3,327)
As at 31 December 2012 and 1 January 2013	6,395	7,855	14,250
Increase due to raising (Feeding cost and others)	6,300	19,568	25,868
Transfer	738	(738)	—
Decrease due to retirement and deaths	(147)	(184)	(331)
Decrease due to sales	(6,160)	(18,952)	(25,112)
(Losses)/gain arising from changes in fair value less costs to sell	(975)	176	(799)
As at 30 September 2013	6,151	7,725	13,876

Biological assets as at the end of reporting period are stated at fair values less costs to sell and are analysed as follows:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion — breeder hogs	8,874	6,915	6,395	6,151
Current portion — porkers	7,904	7,201	7,855	7,725
At the end of the year/period	16,778	14,116	14,250	13,876

The Group's hogs in the PRC were independently valued by Asset Appraisal Limited ("Asset Appraisal"), a firm of independent qualified professional valuers not connected with the Group, who has appropriate qualifications and recent experiences in valuation of biological assets. The fair value less costs to sell of the hogs are determined with reference to the market-determined prices of items with similar age, weight and breeds.

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;
- the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;
- the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- the Group will secure and retain competent management, key personnel marketing and technical staff to carry out and support its breeding operations; and
- the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

20. INVENTORIES

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chilled and frozen pork products	2,896	3,252	1,459	2,532
Hog feed and other consumables	324	284	224	261
	3,220	3,536	1,683	2,793

21. TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	80,760	126,798	124,595	124,594

Trade receivables

The fair values of trade receivables approximate their carrying amounts.

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

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	76,301	121,061	107,253	108,439
31 days to 60 days	4,459	5,737	17,342	16,155
	80,760	126,798	124,595	124,594

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

The Group does not hold any collateral over the balances.

22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments on listing expenses	—	680	1,044	2,156
Deposits and prepayments for property, plant and equipment	—	435	38,470	6,370
Deposits for prepaid lease payments	2,680	—	—	—
Other deposits paid, prepayments and other receivables	136	241	1,625	646
	2,816	1,356	41,139	9,172
Analysed for reporting purposes as:				
Non-current assets	2,680	435	38,470	6,370
Current assets	136	921	2,669	2,802
	2,816	1,356	41,139	9,172

The Company

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments on listing expenses	—	643	871	1,826

23. BANK BALANCES AND CASH

At the end of each reporting period, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB74,638,000, RMB204,722,000, RMB202,606,000 and RMB267,862,000 respectively. 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 banks authorised to conduct foreign exchange business.

Bank balances and cash carry interest at prevailing market saving rates are 0.36%, 0.36% to 0.50%, 0.35% to 0.50% and 0.35% per annum as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

24. TRADE PAYABLES

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	74,145	150,322	106,257	107,043

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

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	68,116	99,530	88,849	91,581
31 days to 60 days	6,029	50,757	17,408	15,462
61 days to 90 days	—	35	—	—
	74,145	150,322	106,257	107,043

25. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payable in relation to the acquisition of land use right	21,600	—	—	—
Accruals and other payables	6,368	11,233	18,902	20,865
	27,968	11,233	18,902	20,865

26. AMOUNT DUE FROM/TO SHAREHOLDERS

The Group

The amount due from shareholders is non-trade in nature, unsecured, interest-free and recoverable on demand and will be settled prior to Listing.

The amount due to a shareholder is non-trade in nature, unsecured, interest-free and repayable on demand and will be settled prior to Listing.

Particulars of these amounts disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Executive director and shareholder	As at 1 January 2010	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 September 2013	Maximum amount outstanding during the year/period ended 31 December 2010	31 December 2011	31 December 2012	30 September 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from:									
Mr. Ding *(note)*	3,356	3,333	—	—	—	3,455	—	—	—
Huimin Holdings Limited ("Huimin") *(note)*	—	—	—	—	12	—	—	—	12
Jisheng Holdings Limited ("Jisheng") *(note)*	—	—	—	—	13	—	—	—	13
	3,356	3,333	—	—	25				
Due to Mr. Ding	—	—	1,127	1,428	1,976	—	—	—	—

The Company

The amount due from shareholders is non-trade in nature, unsecured, interest-free and recoverable on demand and will be settled prior to Listing.

Executive director and shareholder	As at 1 January 2010	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 September 2013	Maximum amount outstanding during the year/period ended 31 December 2010	31 December 2011	31 December 2012	30 September 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from:									
Huimin *(note)*	—	—	—	—	12	—	—	—	12
Jisheng *(note)*	—	—	—	—	13	—	—	—	13
	—	—	—	—	25				

Note: The amount due from shareholders is denominated in Hong Kong dollars.

27. AMOUNT DUE FROM A RELATED PARTY

The amount is due from Ms. Ding Jingping, a sister of Mr. Ding, a shareholder and executive director of the Company, and trading in nature. The amount is unsecured, interest-free and is repayable on demand. The outstanding balance as at 31 December 2011 was settled in January 2012. No collateral is held over these balances by the Group.

	As at 1 January 2010	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 September 2013	Maximum amount outstanding during the year/period ended 31 December 2010	31 December 2011	31 December 2012	30 September 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Ding Jingping	384	469	478	—	—	534	1,147	478	—

28. BORROWINGS

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	15,000	16,900	20,000	54,000
Loan from financial institution *(note)*	—	45,060	44,817	—
	15,000	61,960	64,817	54,000

Carrying amount repayable:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
On demand or within one year and shown under current liabilities	8,000	61,960	64,817	54,000
More than one year but not exceeding two years and shown under non-current liabilities	7,000	—	—	—
	15,000	61,960	64,817	54,000

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

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	%	%	%	%
Fixed rate borrowings	5.31–8.10	7.22–10.00	7.20–12.00	7.20–12.00

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

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

29. LOAN FROM GOVERNMENT

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from government	—	677	744	792

Note: On 28 December 2011, Hunan Huisheng received from the government an interest-free loan with proceeds of RMB1,000,000 to finance the Listing process. Using the prevailing market interest rates of the People's Bank of China for an equivalent loan of 6.90% per annum, 6.40% per annum and 6.40% per annum as at 31 December 2011, 2012 and 30 September 2013 respectively, the fair value of the loan is estimated at RMB677,000 on initial recognition. The difference between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (note 31(b)).

30. NOTES PAYABLE

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

The collective notes carry interest at 5.9% per annum and are to be redeemed on the third anniversary from the date of issue. The principal amount of the collective notes of RMB260 million in aggregate is guaranteed by China Bond Insurance Co., Ltd. Hunan Huisheng is not contingently liable for the liabilities of other joint issuers.

For details of the collective notes, please refer to the paragraph headed "Notes payable" in the section headed "Financial information" in this prospectus.

The movement of notes payable for the Track Record Period are as follows:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	—	—	—
Issue of notes payable	—	—	—	60,000
Transaction cost directly attributable to the issue of notes	—	—	—	(5,871)
Net proceeds received from issue of notes payable	—	—	—	54,129
Interest charged at effective interest rate of 10.6% per annum *(note 8)*	—	—	—	3,845
Interest payable	—	—	—	(2,376)
At end of the year/period	—	—	—	55,598

31. DEFERRED REVENUE

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Arising from government grant *(note (a))*	—	449	426	458
Arising from government loan *(note (b))*	—	323	256	208
	—	772	682	666

Analysed for report purposes as:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities	—	683	595	577
Current liabilities	—	89	87	89
	—	772	682	666

Notes:

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

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

32. PAID-IN/SHARE CAPITAL

For the purpose of the presentation of the consolidated statements of financial position, the balance of the capital as at 31 December 2010 represents the then paid-in capital of Hunan Huisheng and the balance of the capital as at 31 December 2011 and 2012 and 30 September 2013 represents the issued and fully paid share capital of the Company.

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

	Number of shares	Amount	
		HK$	*RMB*
Authorised:			
Ordinary shares of HK$0.01 each *(note (a))*	38,000,000	380,000	312,000
Issued and fully paid:			
Issue of shares upon incorporation on 30 September 2011 *(note (a))*	3,030	30	25
Issue of shares *(note (b))*	6,889	69	56
Issue of shares for the Reorganisation *(note (c))*	500	5	4
Balance as at 31 December 2011 and 2012 and 30 September 2013	10,419	104	85

Notes:

(a) As at the date of incorporation of the Company (i.e., 30 September 2011), the authorised share capital was HK$380,000 divided into 38,000,000 shares having a par value of HK$0.01 each. On the same date, 2,120 shares of HK$0.01 each were allotted and issued, fully paid at par, to Huimin and 910 shares of HK$0.01 each were allotted and issued, fully paid at par, to Jisheng.

(b) On 29 December 2011, the Company allotted and issued, fully paid at par, 4,527 shares of HK$0.01 each to Huimin and 1,943 shares of HK$0.01 each to Jisheng.

On 27 July 2013, the Company allotted and issued 419 shares of HK$0.01 each to Hunan HTVC for a cash consideration of HK$24,844,400.

(c) On 29 December 2011, the Company allotted and issued 500 shares of HK$0.01 each to Mr. Yau in the consideration of and exchange for the settlement of a sum of RMB13,860,000 due and payable to Mr. Yau by Hong Kong Huisheng, pursuant to an equity transfer agreement dated 26 October 2011 entered into between Mr. Yau and Hong Kong Huisheng for transferring his 25% equity interest in Hunan Huisheng, the details of which are summarised in the paragraph headed "The Reorganisation" in the section headed "Corporate history, development and Reorganisation" of this prospectus.

33. SHARE PREMIUM AND RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statement of changes in equity of the consolidated financial statements.

(b) The Company

	Share premium	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2011	—	—	—
Loss and total comprehensive expense for the year	—	(4,992)	(4,992)
Issue of new shares of the Company	13,860	—	13,860
As at 31 December 2011 and 1 January 2012	13,860	(4,992)	8,868
Loss and total comprehensive expense for the year	—	(5,441)	(5,441)
As at 31 December 2012 and 1 January 2013	13,860	(10,433)	3,427
Loss and total comprehensive expense for the period	—	(5,896)	(5,896)
Issue of new shares of the Company	19,764	—	19,764
As at 30 September 2013	33,624	(16,329)	17,295

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of total borrowings and equity attributable to equity owners of the Company, comprising share capital, reserves and retained profits as disclosed in the Financial Information.

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

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

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings *(note (a))*	15,000	63,764	66,989	112,366
Total equity *(note (b))*	120,936	208,051	302,444	433,422
Gearing ratio	12.4%	30.6%	22.1%	25.9%

Notes:

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

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

35. RETIREMENT BENEFIT PLANS

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

36. PLEDGE OF ASSETS

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

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	—	6,138	6,492	90,044
Prepaid lease payments	—	8,950	8,768	35,243
Plant and machinery	3,693	—	3,747	—
	3,693	15,088	19,007	125,287

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

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

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	247	238	140	160
In the second to fifth year inclusive	225	133	147	234
After five years	306	282	568	553
	778	653	855	947

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

38. CAPITAL COMMITMENTS

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	31,665	—	—	—
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	2,028	10,487	140,218	38,963

39. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in notes 26, 27 and 28 in the Financial Information, the Group had also entered into the following related party transactions during the Track Record Period:

(a) Sales

Name of Company	Nature of transaction	Year ended 31 December 2010	2011	2012	Nine months ended 30 September 2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Ms. Ding Jingping *(note)*	Sale of pork products	4,546	7,535	66	66	—

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

(b) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the Track Record Period is set out in note 11.

(c) Guarantees

During the Track Record Period, certain related parties have provided financial guarantees and/or pledged their assets in relation to the Group's bank borrowings as follows:

	As at 31 December 2010	2011	2012	As at 30 September 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Personal guarantees on joint and several basis by certain shareholders and pledge of properties, plants and equipment held by 常德市金達商品砼有限責任公司	8,000	—	5,000	5,000
Pledge of properties held by 常德市金達商品砼有限責任公司 and its debtors *(note)*	7,000	7,000	—	—
Guarantee given by 常德市金達商品砼有限責任公司 *(note)*	—	—	—	6,000
	15,000	7,000	5,000	11,000

Note:

常德市金達商品砼有限責任公司 is a company controlled by Mr. Ding, a shareholder and executive director of the Company.

The borrowings related to the above guarantees had been fully repaid prior to the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.

40. NON-CASH TRANSACTION

During the period ended 30 September 2013, the Group entered into a non-cash financing activity which is not reflected in the consolidated statement of cash flows. Pursuant to a deed of wavier dated 29 August 2013 entered into between Hong Kong Huisheng and Huimin, Huimin has waived all its rights against Hong Kong Huisheng in connection with the loan agreement dated 8 December 2011 and the deed of novation and released dated 29 August 2013.

B. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Prospectus, the following significant events took place subsequent to 30 September 2013:

(1) Pursuant to an agreement dated 11 October 2013 entered into between Linli Huisheng, NeX Eco-Agriculture, Changde Wuxing, Linli JV and Hunan Huisheng:

(a) The construction of the Linli New Breeding Farm shall be completed by the parties as soon as possible so as to house the first batch of breeder hogs by the fourth quarter of 2013;

(b) The preliminary construction and infrastructure construction costs of the Linli New Breeding Farm in the amount of RMB1,300,000 and RMB9,047,781, which have been paid by Changde Wuxing and Hunan Huisheng respectively, shall be reimbursed to Changde Wuxing and Hunan Huisheng by Linli JV; and

(c) In respect of the agreements which have been entered into between Hunan Huisheng and third parties (e.g. constructors and equipment suppliers) in relation to the establishment, construction and operation of the Linli New Breeding Farm, Linli JV shall execute novation agreements with Hunan Huisheng and the corresponding third parties pursuant to which Linli JV shall be the contracting party in replacement of Hunan Huisheng, and all liabilities shall be assumed by Linli JV in replacement of Hunan Huisheng.

(2) Pursuant to a resolution in writing passed by all shareholders on 11 February 2014:

(a) the authorised share capital of the Company was increased from HK$380,000 to HK$15,000,000 by the creation of a further 1,462,000,000 shares;

(b) the memorandum of association was adopted with immediate effect;

(c) the Company approved and conditionally adopted the Articles of Association with effect from Listing; and

(d) conditional on the Listing Committee granting the listing of, and permission to deal in, the shares in issue and to be issued as mentioned in this prospectus on the Main Board and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of the Prospectus:

(i) the Global Offering and the over-allotment option were approved and the directors were authorised to approve the allotment and issue of the offer shares and such number of shares as may be allotted and issued upon the exercise of the over-allotment option;

(ii) the rules of the share option scheme, the principal terms of which are set out in paragraph 15 of Appendix VI of the prospectus, were approved and adopted and the directors or any such committee thereof were authorised to approve any amendments to the rules of the share option scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the shares thereunder, to allot, issue and deal with the shares pursuant to the exercise of options granted under the share option scheme and to take all such steps as may be necessary or desirable to implement the share option scheme;

(iii) conditional on the share premium account being credited as a result of the Global Offering, the directors were authorised to capitalise HK$2,999,895.81 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 299,989,581 shares for allotment and issue to shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 11 February 2014 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company and so that the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares (other than the right to participate in the capitalisation issue) and the directors be and they are hereby authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to the directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the share option scheme, or under the Global Offering or the capitalisation issue or upon the exercise of the over-allotment option, shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the capitalisation issue but excluding any shares which may be issued pursuant to the exercise of the over-allotment option, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the shareholders revoking or varying the authority given to the directors, whichever occurs first (the "Applicable Period");

(v) a general unconditional mandate (the "Repurchase Mandate") was given to the directors to exercise all powers of the Company to purchase shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the capitalisation issue but excluding any shares which may be issued pursuant to the exercise of the over-allotment option until expiry of the Applicable Period; and

(vi) the extension of the general mandate to allot, issue and deal with shares to include the nominal amount of shares which may be purchased or repurchased pursuant to (v) above.

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

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

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2013.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

The information sets out in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this Prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 30 September 2013 and based on the audited consolidated net tangible assets attributable to owners of the Company as of 30 September 2013 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group after the completion of the Global Offering.

	Audited consolidated net tangible assets attributable to owners of our Company as at 30 September 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.45 per share	428,922	103,517	532,439	1.33	1.69
Based on an Offer Price of HK$2.05 per share	428,922	149,347	578,269	1.45	1.84

Notes:

(1) The audited consolidated net tangible assets attributable to owners of our Company as at 30 September 2013 is based on the consolidated net assets of our Group attributable to owners of our Company as of 30 September 2013, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.45 or HK$2.05 per share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and related expenses (excluding listing expenses which have been accounted for prior to 30 September 2013) payable by our

Company and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB1.00 to HK$1.2698.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 shares are in issue immediately after the Global Offering and the Capitalisation Issue becomes unconditional but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company.

(4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.2698. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

(5) By comparing the valuation of our Group's property interest of RMB166,520,000 as set out in Appendix IV to this Prospectus and the unaudited net book value of these properties as at 31 December 2013, the net revaluation surplus is approximately RMB3,823,000, which has not been included in the above consolidated net tangible assets attributable to owners of our Company as at 30 September 2013. The revaluation of our Group's property interests will not be incorporated in our Group's financial information. If the revaluation surplus is to be included in our Group's financial information, depreciation charge of approximately RMB182,000 per annum related to these properties would be recorded.

(6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2013.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 December 2013 has been prepared in accordance with paragraph 29(8) of Chapter 4 of the Listing Rules and on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2013. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial results of our Group following the Global Offering or for any future periods.

Our Directors estimate that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in the section headed "Profit estimate" in Appendix III to this prospectus, the estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 as follows.

Estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 *(Note 1)*	not less than RMB100.0 million (equivalent to approximately HK$127.0 million) *(Note 3)*
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2013 *(Note 2)*	not less than RMB0.25 (equivalent to approximately HK$0.32) *(Note 3)*

Notes:

1. The basis and assumptions on which the estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2013 have been prepared are summarised in the section headed "Profit estimate" in Appendix III to this prospectus. Such estimated consolidated profit includes the estimated listing expenses to be charged for the year ended 31 December 2013 of approximately RMB6.8 million.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2013 and assuming a total of 400,000,000 Shares had been in issue throughout the year ended 31 December 2013 (assuming the Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Global Offering had been in issue on 1 January 2013 but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company).

3. The unaudited pro forma estimated earnings per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.2698. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

C. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the unaudited pro forma financial information.

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

17 February 2014

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HUISHENG INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Huisheng International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the statement of unaudited pro forma adjusted net tangible assets of the Group and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company (the "Prospectus") dated 17 February 2014. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Appendix II of the Prospectus.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed Hong Kong Public Offer and the International Offering ("Global Offering") on the Group's financial position as at 30 September 2013 as if the Global Offering had taken place at 30 September 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the nine months ended 30 September 2013, on which an Accountants' Report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, 'Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars' ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, 'Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus', issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

The estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 December 2013 is set out in the paragraph headed "Profit estimate for the year ended 31 December 2013" under the section headed "Financial information" in this prospectus.

A. BASES AND ASSUMPTIONS

Bases

The Directors have prepared the estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 December 2013 based on the audited consolidated results of the Group for the nine months ended 30 September 2013 and the results shown in the unaudited management accounts of the Group for the three months ended 31 December 2013 (the "**Profit Estimate Period**").

The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in the Accountants' Report dated 17 February 2014, the text of which is set forth in Appendix I to this prospectus.

Assumptions

The Directors have made the following principal assumptions in the preparation of the profit estimate:

1. There will be no material changes in existing government policies, in political, legal (including changes in legislation, regulations or rules), fiscal or economic conditions in the PRC and in the industry in which the Group operates.

2. There will be no extraordinary items to occur during the Profit Estimate Period.

3. There will be no material changes in inflation rates, interest rates and exchange rates from the current prevailing rates.

4. There will be no material changes in the basis or rates of taxation, both direct and indirect, in the PRC.

5. There will be no government actions or any other unforeseen circumstances beyond the control of the Company which will have a material adverse effect on the results of operations of the Company.

B. LETTER FROM REPORTING ACCOUNTANTS ON THE PROFIT ESTIMATE

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the profit estimate of the Group for the year ended 31 December 2013.

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

17 February 2014

The Directors
Huisheng International Holdings Limited
Cinda International Capital Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the estimate of the consolidated profit attributable to owners of Huisheng International Holdings Limited (the "**Company**", together with its subsidiaries, hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2013 (the "**Profit Estimate**") as set out in the paragraph headed "Profit estimate for the year ended 31 December 2013" in the section headed "Financial Information" in the prospectus of the Company dated 17 February 2014 (the "**Prospectus**").

We conducted our work in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Estimate, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the nine months ended 30 September 2013 and the unaudited consolidated results shown in the management accounts of the Group for the three months ended 31 December 2013.

In our opinion, the Profit Estimate, so far as the calculations and accounting policies are concerned, has been properly complied in accordance with the bases and assumptions adopted by the directors of the Company as set out in Appendix III of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in note 3 of the Accountants' Report dated 17 February 2014, the text of which is set forth in Appendix I to the Prospectus.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sponsor, in connection with the profit estimate for the year ended 31 December 2013.

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

17 February 2014

The Directors
Huisheng International Holdings Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the owners of Huisheng International Holdings Limited (the "**Company**", together with its subsidiaries, hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2013 (the "**Profit Estimate**") as set out in the prospectus issued by the Company dated 17 February 2014 (the "**Prospectus**").

The Profit Estimate, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by them based on the audited consolidated financial results of the Group for the nine months ended 30 September 2013 and the unaudited consolidated results shown in the management accounts of the Group for the three months ended 31 December 2013.

We have discussed with you the bases and assumptions, as set forth in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered and relied upon the letter dated 17 February 2014 addressed to you and us from HLB Hodgson Impey Cheng Limited regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by HLB Hodgson Impey Cheng Limited, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Cinda International Capital Limited

Thomas Leung
Managing Director
Deputy Head of
Investment Banking Division

Shirley Chan
Managing Director

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2013 of the property interests held by the Group.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

17 February 2014

The Board of Directors
Huisheng International Holdings Limited

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China and in Hong Kong

In accordance with the instructions from Huisheng International Holdings Limited (referred to as the "**Company**") to value the property interests (referred to as the "**properties**") held by the Company or its subsidiaries (the Company and its subsidiaries are altogether referred to as the "**Group**") situated in the People's Republic of China (the "**PRC**") and in Hong Kong, we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the properties as at 31 December 2013 (the "**date of valuation**").

Basis of Valuation

Our valuation of the properties represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Methodology

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Due to the nature of the buildings and structures erected thereon, the properties numbered 1 and 2 have been valued on the basis of depreciated replacement cost (DRC). The assessment of the DRC requires an estimate of the market value of the land in existing use and an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc. In valuing the market value of the land portions of the properties, the comparison method has been adopted.

We have ascribed no commercial value to the properties rented by the Group due to the non-assignable nature of the leasehold interest or the lack of substantial profit rent.

Assumptions

Save for those properties rented by the Group, our valuation has been made on the assumption that owners sell the properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

For those properties held by the owners by means of long term land use rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have been provided with copies of legal documents regarding the properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers of the Company, namely Jingtian & Gongcheng (北京市競天公誠律師事務所), on the relevant laws and regulations in the PRC, on the nature of land use rights and the Group's interests in the properties.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The properties situated in the PRC were inspected on 31 December 2012 by Mr. Liu Ho Chi, who is a member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. The property situated in Hong Kong was inspected on 22 August 2013 by Mr. Tse Wai Leung who is a member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

	Property	Market value in existing state as at 31 December 2013	Interest attributable to the Group as at 31 December 2013	Value of property interest attributable to the Group as at 31 December 2013
		RMB	*%*	*RMB*
Group I — Property held and occupied by the Group under long term land use rights granted by the Government				
1.	Land and buildings located in Lushan Village, Ludishan Xiang, Wuling District, Changde City, Hunan Province, the PRC.	20,000,000	100%	20,000,000
2.	Land and buildings located in the northern side of Taolin Road and western side of Sihao Road, Changde Economic and Technological Development Zone, Changde City, Hunan Province, the PRC.	146,520,000	100%	146,520,000
Group II — Property held and occupied by the Group without long term land use rights granted by the Government				
3.	A parcel of land located in village group nos. 4, 5, 6 and 7 of Longzigang Village, Shigongqiao Town, Dingcheng District, Changde City, Hunan Province, the PRC.	No commercial value		No commercial value

Property	Market value in existing state as at 31 December 2013	Interest attributable to the Group as at 31 December 2013	Value of property interest attributable to the Group as at 31 December 2013
	RMB	*%*	*RMB*
Group III — Property rented by the Group			
4. A parcel of land located at village group nos. 4, 5, 6 and 7 of Longzigang Village, Shigongqiao Town, Dingcheng District, Changde City, Hunan Province, the PRC.	No commercial value		No commercial value
5. A parcel of land located in Qingyang Village, Yangban Xiang, Linli County, Changde City, Hunan Province, the PRC.	No commercial value		No commercial value
6. Unit 901 on 9th Floor Loon Kee Building Nos. 267–275 Des Voeux Road Central Hong Kong	No commercial value		No commercial value
Grand-total:	**166,520,000**		**166,520,000**

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group under long term land use rights granted by the Government

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
				RMB
1.	Land and buildings located in Lushan Village, Ludishan Xiang, Wuling District, Changde City, Hunan Province, the PRC. (湖南省常德市武陵區蘆荻山鄉蘆山村內之土地及建築物)	The property comprises a parcel of industrial land with a site area of approximately 33,251.2 square metres on which various 28 blocks of single to three-storey buildings and ancillary structures are erected. The buildings include a 3-storey office building, two 3-storey dormitory buildings, a single-storey dormitory building, a 2-storey workshop building, 7 single-storey workshops and various single-storey ancillary buildings with a total gross floor area of approximately 8,790.02 square metres. The ancillary structures mainly include sewage treatment plant, boundary fences, guard room and gates. The above buildings and ancillary structures were completed in between 2004 and 2008. The land use rights of the property have been granted for a term expiring on 16 March 2061 for industrial use.	The property is currently occupied by the Group as a slaughterhouse.	20,000,000 (100% interest attributable to the Group: 20,000,000

Notes:

1. As revealed from a State-owned Land Use Rights Contract (Ref: 022896) dated 17 March 2011, the land use rights of the property with a site area of 33,251.2 square metres were granted by the Bureau of Land Resources of Changde City (常德市國土資源局) to Hunan Huisheng Meat Products Company Limited (formerly known as Hunan Huisheng Meat Products Joint Stock Company Limited) (湖南惠生肉業股份有限公司), an indirect wholly-owned subsidiary of the Company, for industrial use at a consideration of RMB8,570,000. As confirmed by the PRC legal advisers of the Company, the land premium for the land grant has been settled in full by Hunan Huisheng Meat Products Company Limited.

2. As revealed from a State-owned Land Use Rights Certificate (Ref: Chang Guo Yong (2011) Di No. 50 (常國用(2011)第50號)) dated 9 June 2011, the land use rights in the subject land with an area of 33,251.2 square metres are held by Hunan Huisheng Meat Products Company Limited for a land use right term expiring on 16 March 2061 for industrial use.

3. As revealed from 28 sets of Building Ownership Certificate (Ref: Chang Fang Quan Zheng Jian Zheng Zi Di Nos. 0338960-0338987 (常房權證監証字第0338960-0338987號)) all dated 5 July 2011 was issued in the name of Hunan Huisheng Meat Products Company Limited in connection with 28 buildings of the property with a total gross floor area of 8,790.02 square metres.

4. Pursuant to a Highest Amount Mortgage Contract (最高額抵押合同) (Ref: Hua Yin Chang Zui Di Zi Di 2012 Nian No. 070104 (華銀常最抵字第2012年070104號)) dated 26 July 2012, the land use rights and 28 buildings of the property are subject to mortgage in favour of Huarong Xiangjiang Bank Joint Stock Company Limited — Changde Sub-branch (華融湘江銀行股份有限公司常德分行) for respective collateral values of RMB9,450,000 and RMB5,550,000 for the period from 30 July 2012 to 29 July 2015.

5. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Contract	:	Yes
State-owned Land Use Rights Certificate	:	Yes
Building Ownership Certificate	:	Yes

6. The opinion from the PRC legal advisers of the Company on the property is as follows:

i. On 17 March 2011, Hunan Huisheng Meat Products Company Limited and the Land Administration Bureau of Changde City entered into the State-owned Land Use Rights Contract for the subject land parcel at a land use right premium of RMB8,570,000 which has been settled in full by Hunan Huisheng Meat Products Company Limited;

ii. As revealed from a written confirmation issued from the Bureau of Land Resources of Changde City on 18 August 2011, the subject land parcel has been planned for such specialised industrial use as hog slaughtering. Prior to the incorporation of Hunan Huisheng Meat Products Company Limited on 18 December 2007, the subject land parcel has already been legally authorised as state-owned construction land. In accordance with the master plan of land use planning of Changde City and the actual occupation of the subject land parcel by Hunan Huisheng Meat Products Company Limited as a hog slaughtering plant, the Bureau of Land Resources of Changde City entered into the State-owned Land Use Rights Contract with Hunan Huisheng Meat Products Company Limited on 17 March 2011. Subsequently, a State-owned Land Use Rights Certificate for the subject land parcel was issued in the name of Hunan Huisheng Meat Products Company Limited on 9 June 2011 upon its settlement of the land premium in March 2011. The occupation of the subject land parcel by Hunan Huisheng Meat Products Company Limited prior to the issue of the State-owned Land Use Rights Certificate has been authorised by the Bureau of Land Resources of Changde City and did not constitute violation of the State and Local Land Administrative Laws. Hence, the Bureau of Land Resources of Changde City shall not impose any kind of penalty onto Hunan Huisheng Meat Products Company Limited;

iii. Hunan Huisheng Meat Products Company Limited has legally obtained the building ownership rights of the 28 subject buildings with a total gross floor area of 8,790.02 square metres and a total of 28 sets of Building Ownership Certificates have been issued for the subject buildings in the name of Hunan Huisheng Meat Products Company Limited;

iv. Hunan Huisheng Meat Products Company Limited has obtained legal and valid land and building ownership rights of the property and is the sole owner eligible to occupy, lease, transfer, mortgage or otherwise dispose of the property until the expiry of the land use right term;

v. Pursuant to a Highest Amount Mortgage Contract (最高額抵押合同) (Ref: Hua Yin Chang Zui Di Zi Di 2012 Nian No. 070104 (華銀常最抵字第2012年070104號)) dated 26 July 2012, the land use rights and 28 buildings of the property are subject to mortgage in favour of Huarong Xiangjiang Bank Joint Stock Company Limited — Changde Sub-branch (華融湘江銀行股份有限公司常德分行) for respective collateral values of RMB9,450,000 and RMB5,550,000 for the period from 30 July 2012 to 29 July 2015. A Land Encumbrance Right Certificate (土地他項權證, Ref Chang Ta Xiang 2012 No. 1366常他項2012第1366號) and a Building Encumbrance Right Certificate (房屋他項權證, Ref Chang Fang Ta Xiang Quan Zi No. 0084932常房他證他權字第0084932) have been issued to Huarong Xiangjiang Bank Joint Stock Company Limited — Changde Sub-branch; and

vi. Save for the aforesaid mortgage, the land use rights and building ownership rights of the property are not subject to any guarantee, mortgages, seizures, other encumbrances or restrictions.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
				RMB
2.	Land and buildings located in the northern side of Taolin Road and western side of Sihao Road, Changde Economic and Technological Development Zone, Changde City, Hunan Province, the PRC. (湖南省常德市常德經濟技術開發區桃林路以北, 四號路以西之土地及建築物)	The property comprises a parcel of industrial land with a site area of approximately 66,665.18 square metres. The property is erected with a single-storey (partially 3-storey) slaughterhouse and meat processing plant, a 6-storey (plus 1 basement level) dormitory and canteen building and a 5-storey administrative office building with respective gross floor areas of 26,400 square metres, 6,916 square metres and 4,464 square metres. The buildings were completed in 2013. The land use rights of the property have been granted for a term expiring on 28 October 2061 for industrial use.	The property is currently occupied by the Group for slaughtering purpose during its trial operation.	146,520,000 (100% interest attributable to the Group: 146,520,000

Notes:

1. As revealed from a State-owned Land Use Rights Contract (Ref: DS2011-22) dated 28 October 2011, the land use rights of the property with a site area of 66,665.18 square metres were granted by the Bureau of Land Resources of Changde City (常德市國土資源局) to Hunan Huisheng Meat Products Company Limited (湖南惠生肉業有限公司), an indirect wholly-owned subsidiary of the Company, for industrial use at a consideration of RMB16,800,000. As confirmed by the PRC legal advisers of the Company, the land premium for the land grant has been settled in full by Hunan Huisheng Meat Products Company Limited. As confirmed by the Company, the total land acquisition costs including land premium are totalled RMB27,672,000.

   As provided in the State-owned Land Use Rights Contract, the subject land parcel is subject to the following material development conditions:

Plot Ratio	:	not less than 1 time
Site Coverage	:	not less than 30%
Greenery Area	:	not more than 20%
Gross Floor Area for ancillary facilities	:	not more than 7% of total gross floor area of the development
Building Covenant	:	work start not later than 28 October 2012 and work completion not later than 27 October 2014

2. As revealed from a State-owned Land Use Rights Certificate (Ref: Chang (De) Guo Yong (2011) Di No. 31 (常(德)國用(2011)第31號)) dated 31 October 2011, the land use rights in the subject land with an area of 66,665.18 square metres are held by Hunan Huisheng Meat Products Company Limited for a land use right term expiring on 28 October 2061 for industrial use.

3. As revealed by Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: Di Zi Di No. 201110020) (地字第201110020號) issued by the Changde City Planning Bureau — Deshan Sub-Bureau (常德市規劃局德山分局) on 28 October 2011, the permitted town planning use of the subject land parcel with an area of 66,665.18 square metres is industrial with a project name of "Meat Product Processing (肉類產品深加工)".

4. As revealed by Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Chang Gui De Jian Zi Di No. 201208124) (常規德建字第201208124號) issued by the Changde City Planning Bureau — Deshan Sub-Bureau (常德市規劃局德山分局) on 15 August 2012, the development of the factory building with a gross floor area of 30,151 square metres were approved.

5. As revealed by two Planning Permits of Construction Work (Ref: Chang Gui De Jian Zi Di No. 201303022, 201303023) (常規德建字第201303022, 201303023號) issued by the Changde City Planning Bureau — Deshan Sub-Bureau on 26 March 2013, the development of the administrative office building and the dormitory and canteen building with respective gross floor area of 4,464 square metres and 6,916 square metres were approved.

6. As revealed by Construction Works Commencement Permits (建築工程施工許可證) (Ref No. 430702201106220101) issued by the Changde City Housing and Rural-urban Construction Bureau (常德市住房和城鄉建設局) on 20 March 2013, the development of factory building (except pre-slaughtering sties (待宰欄)) with a gross floor area of 26,400 square metres were approved.

7. As revealed by Construction Works Commencement Permits (建築工程施工許可證) (Ref No. 43070220130731010) issued by the Changde City Housing and Rural-urban Construction Bureau (常德市住房和城鄉建設局) on 31 July 2013, the development of administrative building and the dormitory and canteen building with a gross floor area of 11,380 square metres were approved.

8. Pursuant to a Highest Amount Mortgage Contract (最高額抵押合同) (Ref: Hua Yin Chang Zui Di Zi Di 2013 Nian No. 0107003 (華銀常最抵字第2013年0107003號)) dated 24 July 2013, the land use rights and the subject buildings of the property are subject to mortgage in favour of Huarong Xiangjiang Bank Joint Stock Company Limited — Changde Sub-branch (華融湘江銀行股份有限公司常德分行) for respective collateral values of RMB15,000,000 and RMB30,000,000 for the period from 5 August 2013 to 5 August 2016.

9. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Contract	:	Yes
State-owned Land Use Rights Certificate	:	Yes
Construction Land Use Planning Permit	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Works Commencement Permits	:	Yes (for factory building)

10. The opinion from the PRC legal advisers of the Company on the property is as follows:

    i. On 28 October 2011, Hunan Huisheng Meat Products Company Limited and the Bureau of Land Resources of Changde City entered into the State-owned Land Use Rights Contract for the subject land parcel at a land use right premium of RMB16,800,000 which has been settled in full by Hunan Huisheng Meat Products Company Limited;

    ii. Hunan Huisheng Meat Products Company Limited is the sole legal owner of the property and has the rights to legally occupy, lease, transfer, mortgage or any other legal way to dispose the land use rights of the property;

    iii. Pursuant to a Highest Amount Mortgage Contract (最高額抵押合同) (Ref: Hua Yin Chang Zui Di Zi Di 2013 Nian No. 0107003 (華銀常最抵字第2013年0107003號)) dated 24 July 2013, the land use rights and the subject buildings of the property are subject to mortgage in favour of Huarong Xiangjiang Bank Joint Stock Company Limited — Changde Sub-branch (華融湘江銀行股份有限公司常德分行) for respective collateral values of RMB15,000,000 and RMB30,000,000 for the period from 5 August 2013 to 5 August 2016. A land encumbrance right certificate (土地他項權證, Ref Chang Ta Xiang 2012 No. 1366常他項2012第1366號) has been issued to Huarong Xiangjiang Bank Joint Stock Company Limited — Changde Sub-branch. Save for the aforesaid mortgage, the property is not subject to any guarantee, mortgages, seizures, other encumbrances or restrictions;

    iv. Hunan Huisheng Meat Products Company Limited has obtained the Construction Land Use Planning Permit, Planning Permit of Construction Work and Construction Works Commencement Permit for the construction of the factory building (except pre-slaughtering sties (待宰欄)) ;

    v. Hunan Huisheng Meat Products Company Limited has obtained the Construction Land Use Planning Permit, Planning Permit of Construction Work and Construction Works Commencement Permit for the construction of the office, canteen and dormitory buildings; and

    vi. Hunan Huisheng Meat Products Company Limited has acted lawfully in obtaining all necessary land use planning approval for the development of the property and all necessary construction work planning approval and construction work permit for the construction of the factory building (except pre-slaughtering sties), office, canteen and dormitory buildings. Upon completion of the construction work and work completion examination to the satisfaction of the Government, it is eligible to apply to the authority for processing property title registration and issuance of Building Ownership Certificate.

VALUATION CERTIFICATE

Group II — Property held and occupied by the Group without long term land use rights granted by the Government

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
				RMB
3.	A parcel of land located in village group nos. 4, 5, 6 and 7 of Longzigang Village, Shigongqiao Town, Dingcheng District, Changde City, Hunan Province, the PRC. (湖南省常德市鼎城區石公橋鎮龍子崗村4, 5, 6, 7 村民小組)	The property comprises a parcel of land with a site area of approximately 1,100 square metres on which two single-storey buildings and various structures are erected thereon. According to the information provided by the Company, the buildings comprise a pump room and a feed mixing house with a total gross floor area of approximately 650 square metres. The above buildings and structures were completed in about 2008.	The property is currently occupied by the Group for supporting facilities purpose.	No commercial value

Notes:

1. As revealed from an agreement dated 21 December 2007, Huang Ming Xiang (黃明祥) which is independent third party to the Group agreed to transfer a parcel of land and the buildings erected thereon to Huisheng Hog Factory (惠生豬廠) at a consideration of RMB51,000 (see notes 3(i) below).

2. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Contract	:	No
State-owned Land Use Rights Certificate	:	No
Construction Land Use Planning Permit	:	No
Planning Permit of Construction Work	:	No
Construction Works Commencement Permits	:	No

3. The opinion from the PRC legal advisers of the Company on the property is as follows:

   i. As per the confirmation from Hunan Huisheng Meat Products Company Limited, the agreement was signed by the general manager Mr. Yu Jishi on behalf of Hunan Huisheng Meat Products Company Limited, despite the fact that the original agreement was under Huisheng Hog Factory;

   ii. In the absence of any legal document in relation to the property transfer, title registration and transfer approval of the property, the validity of the property transfer and the property rights of Hunan Huisheng Meat Products Company Limited in the property cannot be ascertained by the PRC Lawyer;

   iii. If the subject land parcel has been legally owned by Huang Ming Xiang in the nature of rural land (宅基地), the land together with the structures thereon can be transferred to eligible villagers under the Hunan Province Collectively Owned Construction Land Administrative Provisional Rules (湖南省集體建設用地管理暫行辦法). Hunan Huisheng Meat Products Company Limited does not satisfy the criteria to be regarded as eligible villager. In addition, if the land parcel has not been used in compliance with the permitted use, the Government is entitled to re-enter the property. Therefore, if the Government authority or other third parties has objection against the property title, the property transfer or the existing use of the property and propose re-entry of the property, Hunan Huisheng Meat Products Company Limited would be facing the risk that its rights to occupy the property being discontinued;

iv. Besides the above risk, if the property transfer is regarded as illegal by the Government and the occupation of the property by Hunan Huisheng Meat Products Company Limited is considered as unauthorised, it may be subject to penalty at a rate of not less than RMB30 per square metre; and

v. As confirmed by Hunan Huisheng Meat Products Company Limited, the property is used for processing and pump rooms purpose. Hunan Huisheng Meat Products Company Limited can relocate the property and there will be no adverse impact on the operations of Hunan Huisheng Meat Products Company Limited if the use of land is discontinued.

4. We have ascribed no commercial value to the Group's interest in the property on the ground that the Group does not have long term land use rights granted by the Government.

VALUATION CERTIFICATE

Group III — Property rented by the Group

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
				RMB
4.	A parcel of land located at village group nos. 4, 5, 6 and 7 of Longzigang Village, Shigongqiao Town, Dingcheng District, Changde City, Hunan Province, the PRC. (湖南省常德市鼎城區石公橋鎮龍子崗村4, 5, 6, 7 村民小組)	The property comprises a parcel of land with a site area of approximately 41,533.54 square metres (62.3 Chinese mu) on which various buildings and structures are erected thereon. According to the information provided by the Company, the buildings and structures comprise 55 blocks of buildings and structures with a total gross floor area of approximately 21,113.8 square metres. The above buildings and structures were completed in between 2007 and 2013. The property is held by the Group under a tenancy for a term of 21 years commencing on 25 December 2007 and expiring on 24 December 2028 at an annual rental of RMB380 per Chinese mu exclusive of management fee.	The property is currently occupied by the Group for breeding purpose.	No commercial value

Notes:

1. As revealed from a Land Contracting and Management Contract (土地承包經營合同) dated 5 January 2008, Hunan Huisheng Meat Products Company Limited (湖南惠生肉業股份有限公司), an indirect wholly-owned subsidiary of the Company, undertook to operate the property as hog breeding farm from Long Zi Gang Village, Dingcheng District, Changde City, Hunan Province (湖南省常德市鼎城區石公橋鎮龍子崗村) which is independent third party to the Group for a term of 21 years commencing on 25 December 2007 and expiring on 24 December 2028 at an annual undertaking fee of RMB380 per Chinese mu exclusive of management fee.

2. As confirmed by the Group, the buildings erected on the land were constructed by Hunan Huisheng Meat Products Company Limited at a total construction cost of approximately RMB27,000,000.

3. The opinion from the PRC legal advisers of the Company on the property is as follows:

   i. Pursuant to a Land Contracting and Management Contract dated 5 January 2008, Hunan Huisheng Meat Products Company Limited undertook to operate the property as hog breeding farm from Long Zi Gang Village, Dingcheng District, Changde City, Hunan for a term of 21 years commencing on 25 December 2007 and expiring on 24 December 2028 at an annual undertaking fee of RMB23,674 plus annual management fee of RMB5,000. The Land Contracting and Management Contract is legal and valid;

ii. Pursuant to a Administrative Penalty Decision on State-owned Land Violation Cases (國土資源違法案件行政處罰決定書) dated 14 January 2010 issued by the Bureau of Land Resources of Dingcheng District of Changde (常德市鼎城區國土資源局), the subject land was originally affirmed as a basic farmland, therefore, Hunan Huisheng Meat Products Company Limited's occupation of the subject land parcel has constituted violation under Provision 3, 43 and 44 of the Law of Land Administration of the PRC (土地管理法) such that the aforesaid Land Contracting and Management Contract should be rendered invalid. The bureau further confirmed that it made rezoning on the Land Use Master Plan in December 2009 so as to increase the basic farmland of same quantity and quality as the farmland lost in the Property and changed the nature of the occupied land of approximately 23 Chinese mu to construction land. Nevertheless, Hunan Huisheng Meat Products Company Limited was subject to the following penalties:

(a) surrender the undeveloped portion of the subject land parcel with an area of 26.6 Chinese mu and reinstate this portion into arable land;

(b) demolish the fence wall of the surrendered land portion; and

(c) being penalised a sum of RMB150,000.

iii. Pursuant to a confirmation letter issued by the Bureau of Land Resources of Dingcheng District of Changde City dated 26 September 2011, all punishment measures as laid down in the Administrative Penalty Decision on State-owned Land Violation Cases have been implemented by Hunan Huisheng Meat Products Company Limited within the prescribed period and the nature of the subject land has been changed from basic farmland as preserve construction land (預留建設用地, for the developed portion) and ordinary farmland (一般農用地, for undeveloped portion) and Hunan Huisheng Meat Products Company Limited was authorised to occupy the property in accordance with the Land Contracting and Management Contract. Hence, all rights and obligations contained in the Land Contracting and Management Contract are legal and valid.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
				RMB
5.	A parcel of land located in Qingyang Village, Yangban Xiang, Linli County, Changde City, Hunan Province, the PRC. (湖南省臨澧縣楊板鄉青陽村)	The property comprises a parcel of vacant land with a site area of approximately 36,000 square metres (54 Chinese mu) on which a breeding farm is currently under construction. It has been developed into a total of 13 single-storey hog sheds, one 2-storey office building and one single-storey transformer room with a total gross floor area of approximately 13,165.5 square metres. The buildings were completed in 2013. The property is held by the Group under a tenancy for a term of 30 years commencing on 22 October 2012 and expiring on 22 October 2042 at an annual rental of RMB240 per Chinese mu (RMB0.36/square metre) exclusive of water, electricity charges and other goings.	The property is currently occupied by the Group for breeding purpose during its trial operations.	No commercial value

Notes:

1. As revealed from a land lease contract dated 21 October 2012, Hunan Huisheng Meat Product Company Limited (湖南惠生肉業有限公司), an indirect wholly-owned subsidiary of the Company, rented the property from Villagers' Committees of Qingyang Village, Yangban Xiang, Linli County (臨澧縣楊板鄉青陽村村民委員會) which is an independent third party to the Group for a term of 30 years commencing on 22 October 2012 and expiring on 22 October 2042 at an annual rental of RMB240 per Chinese mu (RMB0.36/square metre) exclusive of water, electricity charges and other goings.

2. As confirmed by the Company, a total construction costs of approximately RMB8,200,000 have been expended on the property as at the date of valuation.

3. The opinion from the PRC legal advisers of the Company on the property is as follows:

   i. Hunan Huisheng Meat Products Company Limited signed the land lease contract with Villagers' Committees of Qingyang Village, Yangban Xiang, Linli County on 21 October 2012 for renting a site with an area of 54 Chinese mu for a terms of 30 years commencing on 22 October 2012 and expiring on 22 October 2042 at a lump sum rental of RMB388,800. As confirmed by Hunan Huisheng Meat Product Company Limited, the land parcel is used for hog breeding farm construction;

   ii. Pursuant to a Forestry Certificate (林權證) (Ref: 臨林證字2012第2415160199號) issued by People's Government of Linli County (臨澧縣人民政府) dated 23 November 2012, the forestry ownership is Qingyang Village, Yangban Xiang (楊板鄉青陽村) and the land use rights holder of the forestry with a site area of 54 Chinese mu is Changde Wuxing Agriculture Development Company (常德五星農業發展公司) for a term of 30 years;

iii. On 5 September 2012, Hunan Province Forestry Department issued to Hunan Huisheng Meat Products Company Limited the Consent on Forest Land Usage (使用林地審核同意書, Ref: 湘林地許准20121282號) by which forest land with an area of 1 hectare (comprising 0.173 hectare for economic forest 經濟林 and 0.827 hectare for other forest) is allowed to be used for developing ecological hog breeding base (生態豬養殖基地);

iv. On 18 August 2012, Hunan Huisheng Meat Products Company Limited submitted a Agricultural Land Use Structure Adjustment (Husbandry) Filing Form (Ref: 2012–08) for the 1-hectare forest land. The application was approved by the Linli County Yangban Xiang Qingyuan Village Villager Committee (臨澧縣楊板鄉青陽村村民委員會), the Municipal Government of Linli County Yangban Xiang, the Linli County Husbandry Veterinarian Fisheries Bureau (臨澧縣畜牧獸醫水產局), the Bureau of Land Resources of Linli County and the Municipal Government of Linli County in August 2012;

v. On 22 July 2013, the Linli State Owned Land Resources Administration Bureau responded to the aforesaid application and issued a written confirmation which stated that the hog breeding base developed by Hunan Huisheng Meat Products Company Limited in Qingyuan Village, Yang Ban Xiang, Linli County covers a land area (including Forest Land and Farm Land) of 54 mu (approximately 36,000 square metres including water pond area). Out of the total land area, built over area accounts for approximately 10,000 square metres (erected with hog sheds, warehouse and administrative building) and the remaining land area is unbuilt land (including water pond area). The land parcel is being rented from Linli County Yangban Xiang Qingyuan Village Villager Committee;

vi. As revealed from the Notice on Matters Regarding Agricultural Land Administration (關於完善設施農用地管理有關問題的通知) issued by the Bureau of Land Resources of Linli County and the Agricultural Bureau (農業部) as endorsed by the Municipal Government of Linli County, the development of the hog breeding farm in the land parcel has completed the application by submission of the Agricultural Land Use Structure Adjustment (Husbandry) Filing Form (Ref 2012–08);

vii. The information filled in the aforesaid filing form is consistent with the actual development conditions of the project and is compliant with the relevant application rules;

viii. The leasing, occupation and use of the land parcel by Hunan Huisheng Meat Products Company Limited have secured all necessary consent, approval, completed all necessary procedures and are compliant with the aforesaid the Notice on Matters Regarding Agricultural Land Administration and do not constitute any violation of laws and regulations;

ix. On 31 July 2013, Changde Wuxing Agriculture Development Company, the holder of the Forestry Certificates, issued a written confirmation and irrevocably and unconditionally confirmed that its has granted consent to Hunan Huisheng Meat Products Company Limited for the development of the ecological Hog Breeding Base in the subject land parcel. It allows the project to occupy the subject land parcel continuously free of charge. If new enterprise is established by Hunan Huisheng Meat Products Company Limited to operate the project in the future and Changde Wuxing Agriculture Development Company becomes one of the shareholders of the new enterprise, it will apply for issue of new Forestry Certificate for the land parcel in the name of the new enterprise without consideration; and

x. The PRC legal advisers to the Company opined that the aforesaid land lease contract entered by Hunan Huisheng Meat Products Company Limited is adhering to the PRC laws and is legal and valid. Hunan Huisheng Meat Products Company Limited's leasing, occupation and use of the subject land parcel has secured all necessary approval, consent, completed all relevant procedures and are compliant with the aforesaid the Notice on Matters Regarding Agricultural Land Administration and do not constitute any violation of laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
				RMB
6.	Unit 901 on 9th Floor Loon Kee Building Nos. 267–275 Des Voeux Road Central Hong Kong	The property comprises an office unit on 9th Floor within a 22-storey commercial building completed in about 1974. The gross floor area and saleable floor area of the property are approximately 420 square feet and 265 square feet respectively. The property is held by the Group under a tenancy for a term of 2 years commencing on 19 August 2013 and expiring on 18 August 2015 at a monthly rental of HK$11,000 inclusive of management fee but exclusive of Government rates.	The property is being occupied by the Group as offices.	No commercial value

Notes:

1. The registered owner of the property is The San Wui Commercial Society of Hong Kong, an independent third party, registered via memorial no. UB1104091 dated 6 September 1974. The property is held under Government leases for terms of 999 years commencing on between 17 July 1900 and 31 January 1901.

2. The property is leased by The San Wui Commercial Society of Hong Kong to Ever Team International (HK) Limited, an independent third party, for a term of 10 years commencing on 18 February 2013 to 17 February 2023. The tenancy agreement is registered via memorial no. 13041202430443 dated 26 March 2013.

3. Pursuant to a tenancy agreement dated 14 August 2013, Ever Team International (HK) Limited sub-leased the property to Hongkong Huisheng Meat Food Limited, which is a wholly-owned subsidiary of the Company, for a term of 2 years commencing on 19 August 2013 and expiring on 18 August 2015 at a monthly rental of HK$11,000 inclusive of management fee but exclusive of Government rates.

4. The property is falling with an area currently being zoned Commercial under the Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/28.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 February 2014, conditional upon Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 18 October 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 September 2011.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant law of the Cayman Islands and our constitution which comprises a memorandum of association and an articles of association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of our constitution are set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

(a) On 30 September 2011, our Company was incorporated with an authorised share capital of HK$380,000 divided into 38,000,000 Shares. Upon incorporation, one Share was subscribed, credited as fully paid at par, by Codan Trust Company (Cayman) Limited, which was then transferred at par to Huimin. On the same date, 2,119 Shares were allotted and issued, credited as fully paid at par, to Huimin and 910 Shares were allotted and issued, credited as fully paid at par, to Jisheng.

(b) On 29 December 2011, our Company allotted and issued, credited as fully paid at par, 4,527 Shares to Huimin and 1,943 Shares to Jisheng.

(c) On 29 December 2011, as part of the Reorganisation, our Company allotted and issued 500 Shares, credited as fully paid, to Mr. Yau for the settlement of a sum of RMB13,860,000 due and payable to Mr. Yau by Hong Kong Huisheng pursuant to an equity transfer agreement dated 26 October 2011 entered into between Mr. Yau and Hong Kong Huisheng for transferring his 25% equity interest in Hunan Huisheng to Hong Kong Huisheng.

(d) On 27 July 2013, our Company allotted and issued 419 Shares, credited as fully paid, to Hunan HTVC at a cash consideration of HK$24,844,400 pursuant to an investment agreement dated 27 July 2013 entered into between our Company, Mr. Ding and Hunan HTVC.

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

Immediately following completion of the Global Offering and the Capitalisation Issue, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 1,100,000,000 Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 418,000,000 Shares will be issued fully paid or credited as fully paid, and 1,082,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on 11 February 2014

On 11 February 2014, pursuant to resolutions in writing passed by all the Shareholders:

(a) our authorised share capital was increased from HK$380,000 to HK$15,000,000 by the creation of a further 1,462,000,000 Shares;

(b) the Memorandum was adopted with immediate effect;

(c) the Articles of Association were conditionally adopted with effect from Listing; and

(d) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to approve the allotment and issue of the Offer Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option and to approve the transfer of Sale Shares;

(ii) the rules of the Share Option Scheme were approved and adopted and the Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the Global Offering, our Directors were authorised to capitalise HK$2,999,895.81 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,989,581 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 11 February 2014 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are hereby authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the "**Applicable Period**");

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until expiry of the Applicable Period; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing and our Company became the holding company of our Group. Please refer to the section headed "Corporate history, development and Reorganisation" in this prospectus for further details.

5. Particulars of our subsidiaries

Our Group comprises our Company and five subsidiaries. Please refer to the Accountants' Report set out in Appendix I to this prospectus for a summary of the corporate information of these companies.

6. Changes in share capital of our subsidiaries

Save as disclosed in the section headed "Corporate history, development and Reorganisation — The Reorganisation" in this prospectus, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the purchase; (4) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; or (5) in the case of any premium payable on the purchase, out of the profits of our Company, from sums standing to the credit of the share premium account of our Company or out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part XI of the Companies Ordinance

Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance and has established a principal place of business in Hong Kong at Room 901, 9th Floor, Loon Kee Building, 267–275 Des Voeux Road Central, Sheung Wan, Hong Kong. Mr. Foo Tin Chung Victor, the company secretary of our Company, has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process and notices on our Company is the same as the address of our principal place of business in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an investment agreement dated 27 July 2013 entered into between our Company, Hunan HTVC and Mr. Ding pursuant to which Hunan HTVC agreed to subscribe for 419 Shares at a consideration of HK$24,844,400;

(b) a deed of novation and release dated 29 August 2013 entered into between Hong Kong Huisheng (as original debtor), Mr. Ding and our Company (as original guarantors), Huimin (as new debtor) and BMI Finance Limited (as creditor) pursuant to which Hong Kong Huisheng has novated to Huimin all its obligations and liabilities under a loan agreement dated 8 December 2011 in respect of a loan in an aggregate principal amount of HK$55,000,000 and the obligations of Mr. Ding and our Company as guarantors have been released;

(c) a deed of waiver dated 29 August 2013 entered into between Huimin and Hong Kong Huisheng pursuant to which Huimin has waived all its rights against Hong Kong Huisheng in connection with the deed of novation and release described in (b) above;

(d) a deed of indemnity dated 11 February 2014 executed by Mr. Ding and Huimin in favour of our Company (for itself and as trustee for its present subsidiaries) containing the indemnities in respect of estate duty, taxation and other liabilities more particularly referred to in paragraph 16 of this appendix;

(e) a deed of non-competition dated 11 February 2014 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its present subsidiaries) referred to in the paragraph headed "Deed of non-competition" in the section headed "Relationship with Controlling Shareholders" in this prospectus; and

(f) the Hong Kong Underwriting Agreement.

10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following registered trademarks:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Validity
1	歪脖脖	Hunan Huisheng	PRC	29[1]	5552240	21 May 2009 to 20 May 2019
2	歪脖脖	Hunan Huisheng	PRC	30[2]	9502059	28 September 2012 to 27 September 2022
3	歪脖脖	Hunan Huisheng	PRC	31[3]	9502201	14 June 2012 to 13 June 2022
4	歪脖脖	Hunan Huisheng	PRC	35[4]	9502252	28 June 2012 to 27 June 2022
5		Hong Kong Huisheng	Hong Kong	29, 30, 31, 35[5]	302013137	23 August 2011 to 22 August 2021
6		Hong Kong Huisheng	Hong Kong	29, 30, 31, 35[5]	302013146	23 August 2011 to 22 August 2021
7	歪脖脖	Hong Kong Huisheng	Hong Kong	29, 30, 31, 35[5]	302013713	24 August 2011 to 23 August 2021

As at the Latest Practicable Date, our Group was in the course of applying for the registration of the following trademark:

Trademark	Applicant	Place of application	Class	Application number	Date of application
	Hunan Huisheng	PRC	29[6]	12680877	30 May 2013

Notes:

1. The products covered under class 29 include food products made from pork; meat; meat jelly; smoked pork; sausages; salted meat; cured meat; preserved meat; pork; sausages in batter.

2. The products covered under class 30 include meat pies; dumplings; tea; meat tenderizers for household purposes.

3. The products covered under class 31 include live animals; poultry for breeding; products for animal litter; fodder; mushroom species; fresh vegetables; fresh fruit; malt for brewing and distilling; grains (cereals); plants.

4. The services covered under class 35 include presentation of goods on communication media for retail purposes; business management of franchises; sales promotion for others; procurement services for others (purchasing goods or services for other businesses); personnel management consultancy; relocation services for businesses; compilation of information into computer databases; accounting; rental of vending machines; sponsorship search.

5. The products covered under class 29 include charcuterie; meat; bacon; sausages; salted meats; preserved meat; pork; sausages in batter.

   The products covered under class 30 include meat pies; cereal-based snack food; cereal preparations; noodles; tea; sugar; bread; meat tenderizers for household purposes.

   The products covered under class 31 include live animals; poultry for breeding; products for animal litter; fodder; forage; fresh fruit; fresh vegetables; grains (cereals); plants; seed germ for botanical purposes.

   The services covered under class 35 include on-line advertising on a computer network; procurement services for others (purchasing goods and services for other businesses); business management consultancy; sales promotion for others; personnel management consultancy; relocation services for businesses; compilation of information into computer databases; accounting; rental of vending machines.

6. The products covered under class 29 include meat jelly; food products made from pork; preserved meat; sausages; pork; preserved vegetables; ham; edible oils; canned meat; dried mushrooms for food.

Patents

As at the Latest Practicable Date, our Group had been granted with the following patents in the PRC:

Type	Patent description	Patent no.	Registered owner	Effective period
Design	Packing box for meat (肉品包裝盒)	201030637981.3	Hunan Huisheng	27 November 2010 to 26 November 2020
Design	Packing container for frozen meat (凍肉包裝箱)	201030637991.7	Hunan Huisheng	27 November 2010 to 26 November 2020
Design	Packing container for meat (肉品包裝箱)	201030637974.3	Hunan Huisheng	27 November 2010 to 26 November 2020
Utility Model	Meat Roast Smoking Room (肉品熏烤房)	201020631916.4	Hunan Huisheng	30 November 2010 to 29 November 2020
Utility Model	Meat Baking Room (肉品烘烤房)	201020632650.5	Hunan Huisheng	30 November 2010 to 29 November 2020
Utility Model	Double-row hog house for fattening breeding (一種雙列式育肥豬舍)	201020677781.5	Hunan Huisheng	24 December 2010 to 23 December 2020
Utility Model	Double-row hog house for nursing (一種雙列式保育豬舍)	201020677716.2	Hunan Huisheng	24 December 2010 to 23 December 2020
Utility Model	Double-row hog house for parturition (一種雙列式分娩豬舍)	201020677879.0	Hunan Huisheng	24 December 2010 to 23 December 2020

Domain name

As at the Latest Practicable Date, our Group was the registrant of the following domain name:

Domain name	Registration date	Expiry date	Registrant
hsihl.com	7 August 2013	7 August 2015	Hong Kong Huisheng

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERTS

11. Directors

(a) Disclosure of interests

(i) Our executive Directors and non-executive Director are interested in the Reorganisation. Please refer to the section headed "Corporate history, development and Reorganisation" in this prospectus.

(ii) Save as disclosed in notes 26, 27 and 39 to the Accountants' Report set out in Appendix I to this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date.

Each of these executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of the Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 5% of the audited combined or consolidated audited net profit of our Group (after taxation and minority interests but before extraordinary or exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The annual salaries of the executive Directors provided under the service contracts are as follows:

Name	**Annual salary**
	(HK$)
Mr. Ding	180,000
Mr. Yu Jishi	180,000
Mr. Ding Jingxi	180,000
Mr. Zhou Shigang	180,000

Each of the non-executive Director and independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. Our Company intends to pay an aggregate directors' fees of about HK$353,000 per annum to all our non-executive Director and independent non-executive Directors. Save for directors' fees, none of the non-executive Director or the independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

(i) During the year ended 31 December 2012 and the nine months ended 30 September 2013, the aggregate emoluments paid by our Group to our Directors were approximately RMB341,000 and RMB246,000 respectively (equivalent to approximately HK$433,000 and HK$312,000).

(ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 31 December 2014 are estimated to be approximately RMB1,006,000 (equivalent to approximately HK$1,277,000).

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for during the Track Record Period.

(d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

Name of Director	**Relevant company**	**Capacity**	**Number of securities or underlying shares** *(Note 1)*	**Approximate percentage of shareholding**
Mr. Ding	Our Company	Interest of controlled corporation *(Note 2)*	171,390,728 (L)	42.9%

Notes:

1. The letter "L" denotes the Director's long position in the shares.

2. These Shares are held by Huimin, which is wholly owned by Mr. Ding. By virtue of the SFO, Mr. Ding is deemed to be interested in the Shares held by Huimin.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors and chief executive of our Company, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the following persons (other than our Directors or chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

(a) Interest in the Shares

Name	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Huimin	Beneficial owner	171,390,728 (L)	42.9%
Ms. Yang Min (楊敏)	Interest of spouse *(Note 2)*	171,390,728 (L)	42.9%
Jisheng	Beneficial owner *(Note 3)*	82,147,999 (L)	20.5%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.

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

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

(b) Interest in the share capital of other members of our Group

Name	Relevant company	Capacity	Approximate percentage of shareholding
NeX Eco-Agriculture	Linli JV	Beneficial owner	20.0%

13. Related party transactions

Save as disclosed in note 39 of the Accountants' Report of our Company set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

14. Disclaimers

(a) Taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in the paragraph 12 of this appendix, will, immediately following the completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

(b) Save as disclosed in paragraph 11(d) in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, once the Shares are listed on the Stock Exchange.

(c) None of our Directors nor the experts named in paragraph 21 of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee.

(d) Save in connection with the Underwriting Agreements, the material contracts referred to in paragraph 9 of this appendix and the service agreements and letters of agreements referred to in paragraph 11(b) of this appendix, none of our Directors nor the experts named in paragraph 21 of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

(e) None of the experts named in paragraph 21 of this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 11 February 2014:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which our Group holds an equity interest ("**Eligible Employee**");

(bb) any non-executive director (including independent non-executive directors) of our Company, any Subsidiary or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 40,000,000 Shares) (the "**General Scheme Limit**") but excluding any Shares which may be issued upon the exercise of the Over-Allotment Option.

(cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limits and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to paragraph (v)(bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates, 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 such grant:

(i) representing in aggregate over 0.1 % of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our Subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);

(cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issues dated 5 September 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in, the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnities

Huimin and Mr. Ding (collectively the "**Indemnifiers**") have executed a deed of indemnity (the "**Deed of Indemnity**") (being the material contract referred to in paragraph 9(d) of this appendix) in favour of our Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

(a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**");

(b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below; and

(c) any liability which are suffered by us in connection with the incidents referred to in the paragraph headed "Regulatory compliance — Non-compliance incidents" in the section headed "Our business" in this prospectus.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

(1) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 30 September 2013 which arises in our ordinary course of business; or

(2) to the extent that such taxation falls on us in respect of the accounting period commencing on or after 1 October 2013 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or

(3) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or

(4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to 30 September 2013 and which is finally established to be an over-provision or an excessive reserve.

17. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

19. Preliminary expenses

The estimated preliminary expenses of our Company are approximately US$6,000 and are payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

21. Qualifications of experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualification
Cinda International Capital Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified legal advisers as to PRC law
Asset Appraisal Limited	Professional valuer & biological asset valuer
Baker Tilly Hong Kong Risk Assurance Limited	Independent internal control consultancy firm

22. Consents of experts

Each of the experts named in paragraph 21 above has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its names included herein in the form and context in which they respectively appear.

23. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

24. Particulars of the Selling Shareholder

The Selling Shareholder is Huimin, an investment holding company with registered office at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands. The number of Sale Shares to be initially offered for sale under the International Offering is 20,000,000 Shares. Huimin will hold approximately 42.9% of the issued share capital of our Company immediately after the Global Offering, assuming the Over-allotment Option is not exercised.

Huimin is wholly owned by Mr. Ding, the chairman and an executive Director of our Company and one of our Controlling Shareholders. Mr. Ding is therefore considered as interested in the sale of the Sale Shares.

Save for Mr. Ding, none of our Directors is interested in the Sale Shares.

25. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effect on, or liabilities of, any person resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

26. Miscellaneous

(i) Save as disclosed in the sections headed "Corporate history, development and Reorganisation" and "Structure of the Global Offering" in this prospectus and paragraph 2 to this appendix, within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share.

(ii) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(iii) There has been no material adverse change in the financial position or prospects of our Group since 30 September 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(iv) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group.

(v) There is no arrangement under which future dividends are waived or agreed to be waived.

(vi) There are no founder, management or deferred shares in our Company or any of its subsidiaries.

(vii) Save as disclosed in the paragraph headed "Indebtedness" in the section headed "Financial information" in this prospectus, our Group does not have any outstanding convertible debt securities or debentures.

(viii) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.

(ix) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(x) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the statement of particulars of the Selling Shareholder;

(c) the written consents referred to in the paragraph headed "22. Consents of experts" in Appendix VI to this prospectus; and

(d) a copy of each of the material contracts referred to in the paragraph headed "9. Summary of material contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Cheung & Lee in association with Locke Lord (HK) LLP at 21/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles;

(b) the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;

(c) the letter from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the letters relating to the profit estimate received from HLB Hodgson Impey Cheng Limited and the Sponsor, the text of which are set out in Appendix III to this prospectus.

(e) the letter, summary of values and valuation certificate relating to our property interests prepared by Asset Appraisal Limited, the texts of which are set out in Appendix IV to this prospectus;

(f) the biological asset valuation report of our Group's hogs prepared by Asset Appraisal Limited;

(g) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, summarising the constitution of our Company and certain aspects of the Cayman Islands company law, referred to in Appendix V to this prospectus;

(h) the legal opinions on our Group's operations and property interest in the PRC and the Reorganisation issued by Jingtian & Gongcheng;

(i) the report for internal control review over the non-compliance incidents referred to in the paragraph headed "Review by the internal control consultant" in the section headed "Our business" in this prospectus prepared by Baker Tilly Hong Kong Risk Assurance Limited;

(j) the written consents referred to in the paragraph headed "22. Consents of experts" in Appendix VI to this prospectus;

(k) the service agreements and letters of appointment of our Directors referred to in the sub-subparagraph headed "Particulars of service contracts" in the paragraph headed "11. Directors" in Appendix VI to this prospectus;

(l) the material contracts referred to in the paragraph headed "9. Summary of material contracts" in Appendix VI to this prospectus;

(m) the rules of the Share Option Scheme;

(n) the statement of particulars of the Selling Shareholder; and

(o) the Companies Law.

HUISHENG INTERNATIONAL HOLDINGS LIMITED
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