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HUISHENG INTERNATIONAL HOLDINGS LIMITED
惠生國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1340)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Director(s)**") of Huisheng International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results (the "**Annual Results**") of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Revenue	*5*	**29,663**	5,655
Cost of sales		**(31,746)**	(5,570)
Gross (loss)/profit		**(2,083)**	85
Other income	*5*	**22,022**	27,405
Other gain or loss, net	*7*	**(2,090)**	1,171
Loss arising from change in fair value less costs to sell of biological assets		**(11,612)**	–
Loss arising from change in fair value of financial assets at fair value through profit or loss	*10*	**(987)**	(5,759)

	Notes	2020 RMB'000	2019 RMB'000
Impairment loss of property, plant and equipment		**(7,847)**	(94,674)
Impairment loss of right-of-use assets		**–**	(6,204)
Impairment loss of investment property		**(459)**	–
Impairment loss of deposits and prepayments for property, plant and equipment		**–**	(43,979)
Impairment loss of deposits and prepayments for biological assets		**–**	(28,000)
Allowance for expected credit losses, net		**(12,489)**	(12,111)
Selling and distribution expenses		**(18)**	–
Administrative expenses		**(17,343)**	(22,007)
Finance costs	*8*	**(696)**	(1,256)
Loss before taxation		**(33,602)**	(185,329)
Taxation	*9*	**(3,124)**	(6,240)
Loss for the year	*10*	**(36,726)**	(191,569)
Other comprehensive loss for the year:			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**–**	(1,000)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(4,024)**	(4,275)
Item that were reclassified to profit or loss:			
Reclassification adjustment of exchange differences upon disposal of subsidiaries		**–**	1,002
Other comprehensive loss for the year, net of income tax		**(4,024)**	(4,273)
Total comprehensive loss for the year		**(40,750)**	(195,842)

	Notes	2020 RMB'000	2019 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(36,625)**	(191,516)
Non-controlling interests		**(101)**	(53)
		(36,726)	(191,569)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(40,652)**	(195,789)
Non-controlling interests		**(98)**	(53)
		(40,750)	(195,842)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	*11*	**(4.16)**	(21.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	*13*	**199,812**	158,161
Right-of-use assets		**10,664**	11,695
Investment property		**12,500**	–
Biological assets		**26,298**	–
Deposits and prepayments for property, plant and equipment		**–**	72,259
Deposits and prepayments for biological assets		**–**	92,000
Loan receivables		**243,441**	257,998
Other receivables		**25,835**	–
Financial assets at fair value through other comprehensive income		**500**	500
		519,050	592,613
Current assets			
Financial assets at fair value through profit or loss	*14*	**18,742**	12,759
Trade receivables	*15*	**11,343**	–
Loan receivables		**74,735**	13,921
Prepayments, deposits and other receivables		**62,104**	79,058
Bank balances and cash		**14,936**	3,523
		181,860	109,261

	Notes	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade payables	16	**3,689**	–
Accruals and other payables		**69,408**	46,042
Borrowings		**10,656**	–
Note payable		**8,390**	–
Lease liabilities		**469**	464
Deferred revenue		**25**	25
Tax payable		**9,360**	6,240
		101,997	52,771
Net current assets		**79,863**	56,490
Total assets less current liabilities		**598,913**	649,103
Non-current liabilities			
Note payable		**–**	8,886
Lease liabilities		**521**	1,050
Deferred revenue		**252**	277
		773	10,213
Net assets		**598,140**	638,890
Equity			
Share capital		**7,308**	7,308
Reserves		**587,516**	628,168
Equity attributable to owners of the Company		**594,824**	635,476
Non-controlling interests		**3,316**	3,414
Total equity		**598,140**	638,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Huisheng International Holdings Limited (the "**Company**") is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands, whose registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is at Room 1604, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the production and sale of daily consumption pork and related meat food products for domestic market in the People's Republic of China (the "**PRC**"), selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation.

The consolidated financial statements are presented in Renminbi ("**RMB**").The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors of the Company considered that it is more appropriate to present the consolidated financial statements in RMB as the functional currency of the most principal operating subsidiaries of the Group is RMB. The consolidated financial statements are presented in thousands ("**RMB'000**"), unless otherwise stated.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair value or revalued amounts at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

4. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or before 1 January 2020 for the preparation of the consolidated financial statements:

Amendment to HKAS 1 and HKAS 8	Definition of Material
Amendment to HKFRS 3	Definition of a Business
Amendment to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

Amendment to HKFRS 16	Covid-19 Related Rent Concession

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform–Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non–current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment–Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts–Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

5. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Recognition at a point in time		
Sale of pork products	**18,206**	–
Sale of pipe system products	**11,457**	5,655
	29,663	5,655

	2020	2019
	RMB'000	*RMB'000*
Other income		
Interest income on:		
Bank deposits	**6**	20
Loan receivables	**14,985**	25,909
Amortisation of deferred revenue	**25**	25
Total interest income	**15,016**	25,954
Rental income	**6,514**	–
Government grants *(note)*	**489**	1,450
Sundry income	**3**	1
	22,022	27,405

Note:

In 2020, the Group successful applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spending all the funding on paying wages to the employees.

In 2019, Government grants mainly represent incentive subsidies granted by the PRC government authorities. There are no conditions or limitations attached to these subsidies by the respective PRC government authorities.

6. 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 Group is principally engaged in slaughtering and trading of pork products, and pipe system products.

The two reportable segments of the Group under HKFRS 8 are as follows:

(a) Slaughtering and trading of pork products – slaughtering and trading of pork products

(b) Pipe system products – selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Slaughtering and trading of pork products *RMB'000*	**Pipe system products** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2020			
Segment revenue	**18,206**	**11,457**	**29,663**
Segment results	**(18,694)**	**(115)**	**(18,809)**
Loss arising from change in fair value of financial assets at fair value through profit or loss			**(987)**
Impairment loss of property, plant and equipment			**(7,847)**
Impairment loss of investment property			**(459)**
Allowance for expected credit losses, net			**(12,489)**
Unallocated corporate income			**15,344**
Unallocated corporate expenses			**(7,659)**
Finance costs			**(696)**
Loss before taxation			**(33,602)**

	Slaughtering and trading of pork products	Pipe system products	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Segment revenue	–	5,655	5,655
Segment results	(15,599)	(176)	(15,775)
Other gain or loss, net			1,171
Loss arising from change in fair value of financial assets at fair value through profit or loss			(5,759)
Impairment loss of property, plant and equipment			(94,674)
Impairment loss of right-of-use assets			(6,204)
Impairment loss of deposits and prepayments for property, plant and equipment			(43,979)
Impairment loss of deposits and prepayments for biological assets			(28,000)
Allowance for expected credit losses, net			(12,111)
Unallocated corporate income			25,910
Unallocated corporate expenses			(4,652)
Finance costs			(1,256)
Loss before taxation			(185,329)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated corporate income, other gain or loss, net, loss arising from change in fair value of financial assets at fair value through profit or loss, impairment loss of property, plant and equipment, impairment loss of right-of-use assets, impairment loss of deposits and prepayments for property, plant and equipment, impairment loss of deposits and prepayments for biological assets, impairment loss of investment property, allowance for expected credit losses, net and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment assets and liabilities

	Slaughtering and trading of pork products *RMB'000*	Pipe system products *RMB'000*	Total *RMB'000*
Year ended 31 December 2020			
Segment assets	**342,534**	**10,044**	**352,578**
Segment liabilities	**(27,817)**	**(2,783)**	**(30,600)**

	Slaughtering and trading of pork products *RMB'000*	Pipe system products *RMB'000*	Total *RMB'000*
Year ended 31 December 2019			
Segment assets	371,878	2,074	373,952
Segment liabilities	(30,544)	(499)	(31,043)

Reconciliation of reportable segments' assets and liabilities:

	2020	2019
	RMB'000	*RMB'000*
Assets		
Total assets of reportable segments	**352,578**	373,952
Unallocated and other corporate assets:		
Right-of-use assets	**851**	2,024
Loan receivables	**318,176**	271,919
Property, plant and equipment	**121**	258
Financial assets at fair value through profit or loss	**18,742**	12,759
Prepayments, deposits and other receivables	**4,334**	39,089
Bank balances and cash	**6,108**	1,873
Consolidated total assets	**700,910**	701,874
Liabilities		
Total liabilities of reportable segments	**30,600**	31,043
Unallocated and other corporate liabilities:		
Accruals and other payables	**42,875**	15,403
Note payable	**8,390**	8,886
Borrowings	**10,656**	–
Lease liabilities	**889**	1,412
Tax payable	**9,360**	6,240
Consolidated total liabilities	**102,770**	62,984

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated and other corporate assets (mainly comprising right-of-use assets, loan receivables, property, plant and equipment, financial assets at fair value through profit or loss, prepayments, deposits and other receivables and bank balances and cash); and

- all liabilities are allocated to operating segments other than unallocated and other corporate liabilities (mainly comprising accruals and other payables, lease liabilities, borrowings, note payable and tax payable).

Other segment information

	Slaughtering and trading of pork products *RMB'000*	Pipe system products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure *(Note)*	**72,259**	**–**	**–**	**72,259**
Depreciation of property, plant and equipment	**9,220**	**–**	**127**	**9,347**
Depreciation of right-of-use assets	**268**	**–**	**490**	**758**
Depreciation of investment property	**656**	**–**	**–**	**656**
Allowance for expected credit losses, net	**10,740**	**88**	**1,661**	**12,489**

	Slaughtering and trading of pork products *RMB'000*	Pipe system products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December 2019				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure *(Note)*	–	–	1,487	1,487
Depreciation of property, plant and equipment	8,778	–	126	8,904
Depreciation of right-of-use assets	459	–	464	923
Allowance for expected credit losses, net	9,732	–	2,379	12,111

Note:

During the year ended 31 December 2020, capital expenditure consists of additions of property, plant and equipment.

During the year ended 31 December 2019, capital expenditure consists of additions of right-of-use assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2020	2019
	RMB'000	*RMB'000*
Slaughtering and trading of pork products	**18,206**	–
Pipe system products	**11,457**	5,655
	29,663	5,655

Information about geographical areas

During the year, the Group was mainly operating in the PRC and Japan (2019: Japan). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2020	2019
	RMB'000	*RMB'000*
Revenue		
– The PRC	**18,206**	–
– Japan	**11,457**	5,655
	29,663	5,655

The Group's non-current assets are principally attributable to a single geographical region, which is the PRC and accordingly, no further geographical segment information is presented.

The Group's geographical concentration risk is mainly in the PRC and Japan, which accounted for 61% and 39% of the total revenue during the year ended 31 December 2020 (2019: 100% in Japan).

Information about major customers

For the year ended 31 December 2020, revenue generated from two (2019: one) customer(s) of the Group which has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Customer A from pipe system products *(note)*	**8,873**	–
Customer B from pipe system products *(note)*	**–**	5,655
Customer C from slaughtering and trading of pork products *(note)*	**3,064**	–

Note:

The revenue contributed by Customer B during the year ended 31 December 2020 and Customer A and Customer C during the year ended 31 December 2019 was less than 10% of the Group's revenue.

7. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of subsidiaries	**–**	1,171
Loss on disposal of biological assets	**(2,090)**	–
	(2,090)	1,171

8. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on:		
– Borrowings wholly repayable within five years	**361**	1,224
– Note payable	**244**	–
– Lease liabilities	**91**	32
	696	1,256

9. TAXATION

	2020	2019
	RMB'000	*RMB'000*
Current tax – Japan		
Charge for the year	**4**	–
Current tax – PRC		
Charge for the year	**3,120**	6,240
Income tax charge	**3,124**	6,240

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% (2019: 8.25%), and profits above HK$2 million will be taxed at 16.5% (2019: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a flat rate of 16.5%.

PRC

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

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

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

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2019 and 2020.

According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from the PRC EIT, and no deferred taxation impact was considered for each of the reporting periods.

Other Jurisdictions

Taxation of overseas subsidiaries (other than Hong Kong and the PRC) are calculated at the applicable rates prevailing in the jurisdictions in which the subsidiary operates.

10. LOSS FOR THE YEAR

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

	2020	2019
	RMB'000	*RMB'000*
Directors' emoluments:		
Directors' fee	**322**	294
Salaries, allowances and benefits in kind	**705**	1,168
Retirement scheme contributions	**35**	59
	1,062	1,521
Other staff costs:		
Salaries and other benefits	**3,126**	2,545
Retirement scheme contributions	**237**	270
Total staff costs	**4,425**	4,336
Auditors' remuneration		
– Audit service	**1,000**	1,000
Depreciation of property, plant and equipment	**9,347**	8,904
Depreciation of right-of-use assets	**758**	923
Depreciation of investment property	**656**	–
Cost of inventories recognised as expenses	**28,359**	5,570
An analysis of the loss arising from change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised gain on disposal of financial assets at FVPL	**(2,194)**	(3,791)
Unrealised loss on financial assets at FVPL	**3,181**	9,550
	987	5,759

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(36,625)**	(191,516)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**880,838**	880,838

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB36,625,000 (2019: approximately RMB191,516,000) and the weighted average number of 880,838,000 (2019: 880,838,000) ordinary shares in issue during the year ended 31 December 2020.

Basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2020 and 2019 and, therefore, be anti-dilutive.

12. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2020, the Group incurred addition for construction in progress of approximately RMB72,259,000 (2019: nil), an asset transferred to investment property of approximately RMB12,500,000 (2019: nil), a recognition of impairment loss of approximately RMB7,847,000 (2019: RMB94,674,000) and depreciation charged of approximately RMB9,347,000 (2019: RMB8,904,000).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong *(note)*	**18,742**	12,759

Note:

At 31 December 2020, the fair value of the listed equity securities, amounting to approximately RMB18,742,000 (2019: approximately RMB12,759,000), was determined based on the quoted market bid prices available on the Stock Exchange.

15. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**11,448**	5,743
Less: Allowances for expected credit losses	**(105)**	(5,743)
	11,343	–

The Group offered credit period on sale of pork products and pipe system products ranged from 30 to 90 days. The aging analysis of trade receivables, net of allowances for expected credit losses, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**11,343**	–

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

	2020	2019
	RMB'000	*RMB'000*
Balance at the beginning of the year	**5,743**	74
Write-offs	**(5,743)**	–
Allowances for credit losses recognised	**105**	5,669
Balance at the end of the year	**105**	5,743

The Group's 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 indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the Group management on the collectability of overdue balances.

16. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**3,689**	–

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**3,689**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group is engaged in the production and sale of daily consumption pork and related meat food products for domestic market as well as hog breeding and hog farming in Changde, Hunan Province, the People's Republic of China (the "**PRC**"). Moreover, the Group is also engaged in selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation.

Last year, the African Swine Fever ("**ASF**") was exploded throughout the PRC and still out of control in 2020 and it had severely affected the pork market in the PRC. According to the notice of Ministry of Agriculture and Rural Affairs of the People's Republic of China* (中華人民共和國農業農村部), a total of 15 ASF outbreaks have been reported in 9 provinces, municipalities and autonomous regions including Hubei, Sichuan, Henan, Inner Mongolia, Gansu, Chongqing, Shaanxi, Jiangsu, and Yunnan since March of 2020. For the latest research of Chinese Academy of Agricultural Sciences* (中國農業科學院), some provinces in the PRC have new variants of ASF and it has a strong transmission ability and difficult to discover the symptoms in early stage.

For the recent notice of Ministry of Agriculture and Rural Affairs of the People's Republic of China* (中華人民共和國農業農村部), the PRC had made an investment in supporting the research and development of ASF vaccine in order to further control of ASF. The first stage of research has been completed and expected that it will enter into production trial in the near future.

Meanwhile, the PRC government authorities has strengthened the existing emergency system for controlling of ASF including implement the national animal disease monitoring on relevant provinces and support to carry out sampling and monitoring of key areas and places, promptly and effectively deal with new epidemics. The improvement of quarantine equipment helps to support relevant provinces to improve their early warning and traceability capabilities. The strengthen of risk management and control of ASF, including standardise the emergency response to the epidemic and improve risk traceability, minimise the occurrence of epidemic. The outbreak of ASF has reduced the number of live hogs in the PRC and it would affect the pork prices due to the imbalance of supply and demand of live hogs between provinces.

* *For identification purposes only*

Due to the outbreak of ASF, on 24 October 2018, our PRC subsidiaries received the quarantine order from the Agriculture Committee of Changde City*（常德市農業委員會）which ordered to kill all hogs and suspended of our operations in Hunan Province, our operations were eventually affected in such circumstances. Despite of this, the Group has never been encountered such difficult challenging and catastrophic environment.

Following on the suspension, the Group was under scrutiny by the PRC government authorities, which led to the implementation of stringent requirements on its breeding farms and slaughterhouse before they could be allowed to re-commence operations under the name of the Group. The Group's Pork Business was therefore on halt, pending the implementation of appropriate precautionary measures to the satisfaction of the PRC government authorities.

During the year of 2020, we are taking cautious manner to resume its business, the Group had applied to the relevant authorities for granting an approval in the operations of our breeding farms and slaughterhouse, which had undergone reformations, including but not limited to (i) the refurbishment of the hog farms; and (ii) the setting up of a testing laboratory and the re-designing of the inspection and production procedures for the slaughterhouse.

In order to minimise of our risks during a sudden temporary downturn of the Pork Business and to sustain our routine operating cost, the Group had been cautiously adopting an interim business model in resuming part of its operations, such as (1) fattening of piglets; and (2) sales of pork products that already recommenced by the end of year 2020.

* *For identification purposes only*

Under the interim business model, the Group required to acquire piglets from independent third parties for fattening purpose until it fattened into hogs of approximately 110kg and will be sent off for slaughtering and sold as pork products. The Group had been entered into a master contract with supplier for the provision of piglets for fattening which would take effect upon obtaining all relevant licences from the PRC government authorities for the operation of hog farm. Besides, the Group will be required to outsource the hog slaughtering procedures to independent slaughterhouse, hogs will be sent to the slaughterhouse for slaughtering. Thereafter, the pork products would then be sold directly or further processed as per the customers' requirements.

Since mid of October 2020, the Group has obtained Food Processing Operation Permit*（食品經營許可證）for pork processing and packing, the Group would be able to process and package the pork, and sell them as chilled or frozen pork products in order to broaden its product range and to maximise its profit return. From mid of December 2020, the Group has obtained a trial operation permit from the People's Government of Xiejiapu Town, Dingcheng District in Changde City*（常德市鼎城區謝家鋪鎮人民政府）and stated that our PRC subsidiaries would be able to re-commence the operation of breeding farms at the operation base in Bianshanpu*（邊山鋪）and fattening of piglets in order to bring back the hogs breeding to normal business operations.

On the other hand, the Group had applied Certificate of Designated Location for Livestock Slaughtering*（畜禽定點屠宰證）for approval for the hog slaughtering procedure in the Group's slaughterhouse and expected that the Group would obtain the licence/permit at the end of 2021 and subject to the actual regulatory.

Furthermore, the Group had leased out a breeding farm to an independent third party for rental income to maximise its return from assets, while retaining a breeding farm and part of the slaughterhouse for its business resumption plan in order to strike a balance between the risk and return.

* *For identification purposes only*

In order to minimise the operation risk caused by ASF and the COVID-19, the Group keeps its effort for seeking different business opportunity for strengthen the financial position of the Company and downplay the effect of the suspension of hog breeding business, which is the single revenue stream of the Group. Since the late of 2019, the Group commenced a new business through its indirect non-wholly owned subsidiary, Deson Japan Limited ("**Deson Japan**") which the Group acquired 70% equity interest, in selling and distributing of pipe system products and conducting in the provision of technical advisory services on the design, application, implementation, and installation. After one year of tapping into market, Deson Japan is able to capture certain reputation in the industry of selling pipe system products and received a steady increase on revenue with an approximately of 10% to 20% gross profits. Up to the date of this announcement, Deson Japan obtained secured contracts/orders amounted to approximately HK$20 million and the amount of the potential orders but yet to be completed reached approximately HK$21 million in the coming 12 months in future. The management expects to have further expanding of the business when the Group obtains more secured contracts or new fund with more and stable capital stream. The Group will continue to strive for various channels for funding raising and other business opportunities for the expansion of pipelines business. The management is in a view that the pipelines business will provide an opportunity to the Group to diversify its business and broaden the Group's revenue base as well as generate a stable gross profit, which are beneficial to the Group and the shareholders as a whole.

Last but not least, the Group will from time to time review the market situation and the business prospects of pipelines business and strike a balance between the Pork Business and the pipelines business, in order to better allocate the resources of the Group while maximizing the return to shareholders of the Company. The management will continue to seek any potential investment, which would be in order to further diversify of our business risks and maximize the Group profit during the difficult time caused by the ASF and COVID-19.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB29.7 million, representing an increase of approximately 425% or RMB24.0 million as compared with the same period of last year. The increase was mainly due to resume in Pork Business during the year.

Furthermore, the Group recorded revenue from pipelines business of approximately RMB11.5 million, representing an increase of approximately 102.6% as compared with the same period of last year. During the late of 2019, the Group has generated revenue from pipelines business of approximately RMB5.7 million with minimal profit. At the beginning stage of pipelines business, the Directors are of the view that even though the monetary sum of the pilot sales was not significant but this signifies the successful outcome of the effort of our management and Japanese team in stepping in the new segment of pipe system products and clearing the legal and logistics route of importing pipe system products, and eventually the Group was recognised as official sale distributor and granted a distribution right for the sale of pipe system products in Japan and Singapore in March 2020.

The Group recorded revenue from Pork Business of approximately RMB18.2 million (2019: nil) as to its business was re-commenced since the fourth quarter of 2020. The Pork Business was attributable to a gross loss of approximately RMB4.4 million, mainly due to the lower sales volume at an earlier stage of recommencement, the absorption of depreciation charge, more direct and fixed overhead costs in relating to its operations during the year. Thus, the Group suffered a gross loss margin in a short period of time.

The selling and distribution expenses of the Group for the year ended 31 December 2020 increased from approximately RMBnil to approximately RMB18,000 which was mainly due to the resume of the operations in Pork Business during the year.

For the year ended 31 December 2020, the administrative expenses of the Group were approximately RMB17.3 million, while it was approximately RMB22.0 million in 2019. The decrease was mainly due to a direct operating cost in relation to PRC tax levy and depreciation of approximately RMB1.4 million and approximately RMB4.5 million in 2019 respectively, was recorded in administrative expenses.

The Group's finance costs were approximately RMB0.7 million in 2020, while it was approximately RMB1.3 million in 2019.

Based on the annual results, as stated in this announcement, the loss attributable to owners of the Company in 2020 was approximately RMB36.6 million, while it was a loss of approximately RMB191.5 million in 2019. The reduction of loss was mainly due to (i) a decrease in impairment loss of property, plant and equipment of approximately RMB86.8 million; (ii) a decrease in net loss arising from change in fair value of financial assets at FVPL of approximately RMB4.8 million; and (iii) a decrease in impairment loss of deposits and prepayments for property, plant and equipment of approximately, RMB44.0 million and (iv) a decrease in impairment loss of deposit and prepayments for biological assets of approximately RMB28.0 million, during the year ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2020 amounting to approximately RMB14.9 million (2019: approximately RMB3.5 million). The Group's current ratio as at 31 December 2020 was 1.8 (2019: 2.1). The total equity of the Group amounted to approximately RMB598.1 million (2019: approximately RMB638.9 million) as at 31 December 2020.

As at 31 December 2020, the Group had outstanding borrowings with an amount of approximately RMB19.0 million (2019: approximately RMB8.9 million).

The Group intends to finance its operations and investment with its operating revenue, internal resources and bank facilities. The directors of the Company believe that the Group is in a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars for the year ended 31 December 2020. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2020, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2020 (2019: nil).

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 3.2% (2019: approximately 1.4%).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2020, the directors of the Company were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed above, for the year ended 31 December 2020, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

During the year, there was no other significant investment.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 29 staff and workers in Hong Kong, Japan and the PRC (2019: 42). The Group remunerates its directors based on the complexity of duties and responsibilities of each individual. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

CAPITAL STRUCTURE

As at 31 December 2020, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2020 and the date of this announcement, there are a total of 880,838,000 issued shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

In 2020, the swing of the "COVID-19" and the ASF remains uncertain, continuation of ASF and COVID-19 will bring us unprecedented challenges and make it difficult to gauge on the industry recovery pace.

For our core business, we are taking cautious manner in performing disinfection and harmless treatment in order to prevent the ASF infection among our slaughterhouse and breeding farms. The Company commenced the business for the production and sale of meat food since the fourth quarter of 2020 as well as hog breeding is gradually re-commence the business at the end of 2020. The Group will closely monitor the news of ASF vaccine and the procedures of the application of related licence/permit. Also, the Group is looking for different ways to bring back the slaughtering operation into the original business model, such as working hard to cope with the requirements from relevant authorities to get back the slaughtering license, seeking for any other potential investment opportunities in order to acquire or cooperate with other slaughterhouse to strengthen the production capacities.

The outbreak of COVID-19 gives rise to a challenging and uncertain economic environment to the global market. Following the launch of the vaccine of COVID-19, the management of the Company believes that the economy of the globe market will become stable and the construction of infrastructure will restart gradually, we expect that our pipelines business will have steady grow on profit in the future with the support of stable capital stream. The Company will continue to strive for various channels for raising funds and other potential business opportunity to open a new capital source in order to have long term healthy and sustainable development of the pipelines business. On the other hand, the Company will take a serious measure on the effect of the COVID-19 for our expansion of pipelines business in order to minimise the risk of operation.

To conclude, we expect that the development of ASF vaccine and vaccination of COVID-19 would have positive effect for our business and we believe that our core business will re-commence the business in nearly future and our pipelines business will have a steady increase in future and strengthen our new income source to the Group. We will provide the latest updates for our business to all shareholders and potential investors of the Company.

EVENTS AFTER THE YEAR END DATE

(1) Since January 2020, the outbreak on COVID-19 has impacted the global business environment. Up to the date of this announcement, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(2) With effect from 25 January 2021, the Company has cancelled all remaining 73,420,000 share options as approved by the Board (including the independent non-executive Directors) and consented by each of the grantee(s). Details of the announcement for the cancellation of share option published on website of Stock Exchange dated 25 January 2021.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

DIRECTORS' INTERESTS IN CONTRACTS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provision(s)**") and certain recommended best practices contained in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules as the code of the Company. The Company had complied with the Code Provisions during the year ended 31 December 2020 except for the following:

Code Provision A.6.7

Code Provision A.6.7 stipulates that the independent non-executive Directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Two independent non-executive directors of the Company, Mr. Chan Hin Hang and Mr. Wong King Shiu, Daniel are unable to attend annual general meeting on 24 July 2020 due to their engagement with their other commitments.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The audit committee of the Company (the "**Audit Committee**") is primarily responsible for reviewing the financial reporting process, risk management and internal control systems and monitoring the integrity of the financial statements and financial reports of the Company. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Wong Yuk Lun, Alan and Mr. Wong King Shiu, Daniel, with Mr. Chan Hin Hang as its chairman.

The Audit Committee has reviewed with the management the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2020. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. The Audit Committee had also reviewed and discussed the audit, risk management, internal control and financial reporting matters of the Group, including review of the financial statements for the year ended 31 December 2020.

SCOPE OF WORK OF AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2020 have been agreed by the Group's independent auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the announcement.

PUBLICATION OF ANNUAL RESULTS

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hsihl.com).

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021, pending the publication of the audited annual results of the Group for the year ended 31 December 2020 as contained in this announcement. The Company has applied to the Stock Exchange for the resumption of trading in shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 2 July 2021.

DELAY IN DESPATCH OF ANNUAL REPORT

As additional time is required by the Company to finalise certain information to be disclosed in the annual report for the year ended 31 December 2020, the Company's annual report will be despatched to the shareholders of the Company on or before 30 July 2021 and will be available on the Company's websites (www.hsihl.com) in due course.

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

Hong Kong, 30 June 2021

As at the date of this announcement, the Board comprises Mr. Chan Chi Ching, Mr. Suen Man Fung and Mr. Su Hongbo as executive Directors; and Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel, Mr. Wong Yuk Lun, Alan and Dr. Wong Guiping as independent non-executive Directors.