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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Huisheng International Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 with comparative figures for the corresponding period in 2020. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	51,380	1,858
Cost of sales		(49,103)	(1,656)
Gross profit		2,277	202
Other income	3	4,678	16,576
Other gain or loss, net	9	(7,177)	–
Loss arising from change in fair value less costs to sell of biological assets	9	(1,893)	–
Net gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss		3,506	(2,724)
Net (loss)/gain arising from disposal of financial assets at fair value through profit or loss		(206)	2,269
Reversal of allowance for expected credit losses, net		6,777	–
Selling and distribution expenses		(51)	(13)
Administrative expenses		(7,571)	(11,401)
Finance costs		(1,139)	(176)

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(Loss)/profit before taxation		(799)	4,733
Taxation	4	<u>–</u>	<u>(3,124)</u>
(Loss)/profit for the period	5	<u>(799)</u>	<u>1,609</u>
Other comprehensive income/(loss)			
for the period:			
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>8,810</u>	<u>(1,038)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>8,810</u>	<u>(1,038)</u>
Total comprehensive income for the period		<u>8,011</u>	<u>571</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(1,202)	1,849
Non-controlling interests		<u>403</u>	<u>(240)</u>
		<u>(799)</u>	<u>1,609</u>
Total comprehensive income/(loss)			
for the period attributable to:			
Owners of the Company		7,612	811
Non-controlling interests		<u>399</u>	<u>(240)</u>
		<u>8,011</u>	<u>571</u>
(Loss)/earnings per share attributable			
to owners of the Company			
	6		
Basic and diluted (<i>RMB cents per share</i>)		<u>(0.14)</u>	<u>0.21</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021	As at 31 December 2020
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	8	195,225	199,812
Right-of-use assets	8	9,681	10,664
Investment property		12,171	12,500
Biological assets	9	19,978	26,298
Loan receivables	12	212,351	243,441
Other receivables	12	12,910	25,835
Financial assets at fair value through other comprehensive income		500	500
		<u>462,816</u>	<u>519,050</u>
Current assets			
Biological assets	9	3,806	–
Financial assets at fair value through profit or loss	10	17,473	18,742
Trade receivables	11	7,716	11,343
Loan receivables	12	51,448	74,735
Prepayments, deposits and other receivables	12	77,940	62,104
Bank balances and cash		72,835	14,936
		<u>231,218</u>	<u>181,860</u>

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade payables	<i>13</i>	3,067	3,689
Accruals and other payables		65,999	69,408
Borrowings	<i>14</i>	9,103	10,656
Note payable	<i>14</i>	–	8,390
Lease liabilities		–	469
Deferred revenue		25	25
Tax payable		9,360	9,360
		87,554	101,997
Net current assets		143,664	79,863
Total assets less current liabilities		606,480	598,913
Non-current liabilities			
Lease liabilities		102	521
Deferred revenue		227	252
		329	773
Net assets		606,151	598,140
Equity			
Share capital		7,308	7,308
Reserves		595,128	587,516
Equity attributable to owners of the Company		602,436	594,824
Non-controlling interests		3,715	3,316
Total equity		606,151	598,140

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for certain financial instruments and biological assets that are measured at fair value or revalued amounts at the end of each reporting period. The condensed consolidated interim financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2021 are consistent with those used in the annual financial statements for the year ended 31 December 2020 except as described below.

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

Other than the changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

Application of new and amendments to HKFRSs

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020, except for the impact of the adoption of the new and revised HKASs, HKFRSs, amendments and interpretations described below.

Amendments to HKFRSs adopted by the Group

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRS 9, HKAS 39
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

2. 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 <i>RMB'000</i> (Unaudited)	Pipe system products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2021			
Segment revenue	<u>31,237</u>	<u>20,143</u>	<u>51,380</u>
Segment results	<u>(9,770)</u>	<u>1,406</u>	<u>(8,364)</u>
Net gain arising from change in fair value of financial assets at fair value through profit or loss			3,506
Net loss arising from disposal of financial assets at fair value through profit or loss			(206)
Reversal of allowance for expected credit losses, net			6,777
Unallocated corporate income			706
Unallocated corporate expenses			(2,079)
Finance costs			<u>(1,139)</u>
Loss before taxation			<u><u>(799)</u></u>

	Slaughtering and trading of pork products <i>RMB'000</i> (Unaudited)	Pipe system products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2020			
Segment revenue	—	1,858	1,858
Segment results	(3,123)	(795)	(3,918)
Net loss arising from change in fair value of financial assets at fair value through profit or loss			(2,724)
Net gain arising from disposal of financial assets at fair value through profit or loss			2,269
Unallocated corporate income			13,821
Unallocated corporate expenses			(4,539)
Finance costs			(176)
Profit before taxation			<u>4,733</u>

Segment results represent the profit earned by or loss from each segment without allocation of net gain/ (loss) arising from change in fair value of financial assets at fair value through profit or loss, net (loss)/ gain arising from disposal of financial assets at fair value through profit or loss, reversal of allowance for expected credit losses, net, unallocated corporate expenses, unallocated corporate income, 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 periods.

Segment assets and liabilities

	Slaughtering and trading of pork products <i>RMB'000</i> (Unaudited)	Pipe system products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 30 June 2021			
Segment assets	<u><u>367,452</u></u>	<u><u>23,814</u></u>	<u><u>391,266</u></u>
Segment liabilities	<u><u>(24,370)</u></u>	<u><u>(2,884)</u></u>	<u><u>(27,254)</u></u>
	Slaughtering and trading of pork products <i>RMB'000</i> (Audited)	Pipe system products <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
At 31 December 2020			
Segment assets	<u><u>342,534</u></u>	<u><u>10,044</u></u>	<u><u>352,578</u></u>
Segment liabilities	<u><u>(27,817)</u></u>	<u><u>(2,783)</u></u>	<u><u>(30,600)</u></u>

Reconciliation of reportable segments' assets and liabilities:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Assets		
Total assets of reportable segments	391,266	352,578
Unallocated and other corporate assets:		
Right-of-use assets	–	851
Loan receivables	263,799	318,176
Property, plant and equipment	59	121
Financial assets at fair value through profit of loss	17,473	18,742
Prepayments, deposits and other receivables	17,757	4,334
Bank balances and cash	3,680	6,108
	<hr/>	<hr/>
Consolidated total assets	694,034	700,910
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Total liabilities of reportable segments	27,254	30,600
Unallocated and other corporate liabilities:		
Accruals and other payables	42,166	42,875
Note payable	–	8,390
Borrowings	9,103	10,656
Lease liabilities	–	889
Tax payable	9,360	9,360
	<hr/>	<hr/>
Consolidated total liabilities	87,883	102,770
	<hr/> <hr/>	<hr/> <hr/>

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 of 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, note payable, borrowings, lease liabilities and tax payable).

Information about geographical areas

During the reporting period, the Group was mainly operating in the People's Republic of China (the "PRC") and Japan (six months ended 30 June 2020: Japan). The Group's revenue from external customers based on the location of the operation by geographical location is presented below.

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
– The PRC	31,237	–
– Japan	20,143	1,858
	<u>51,380</u>	<u>1,858</u>

Information about major customers

For the six months ended 30 June 2021, revenue generated from two customers of the Group which has individually accounted for over 10% of the Group's total revenue (six months ended 30 June 2020: one). No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: none).

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A from pipe system products	10,247	1,824
Customer B from slaughtering and trading of pork products (<i>note</i>)	<u>5,147</u>	<u>–</u>

Note:

No revenue contributed by Customer B during the six months ended 30 June 2020.

3. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the reporting period is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of pork products	31,237	–
Sale of pipe system products	20,143	1,858
	<u>51,380</u>	<u>1,858</u>
Other income		
Interest income on:		
Bank deposits	38	2
Loan receivables	705	13,637
Amortisation of deferred revenue	13	13
Total interest income	756	13,652
Government grants (<i>note</i>)	–	183
Rental income	3,921	2,740
Sundry income	1	1
	<u>4,678</u>	<u>16,576</u>

Note:

During the six months ended 30 June 2020, the Group successfully 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 spend all the funding on paying wages to the employees.

4. TAXATION

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – Japan		
Charge for the period	–	4
Current tax – PRC		
Charge for the period	–	3,120
Income tax charge	<u>–</u>	<u>3,124</u>

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 gazetted 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%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will 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 (湖南惠生肉業有限公司) (“**Hunan Huisheng**”) meets the required standard for preferential PRC EIT treatment.

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

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

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.

5. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	553	551
Other staff costs:		
Salaries and other benefits	1,786	1,506
Retirement scheme contributions	199	92
	<hr/>	<hr/>
Total staff costs	2,538	2,149
	<hr/>	<hr/>
Depreciation of property, plant and equipment*	4,585	5,008
Depreciation of right-of-use assets	246	277
Depreciation of investment property	329	–
Cost of inventories recognised as expenses	46,947	1,656
	<hr/> <hr/>	<hr/> <hr/>

* *Depreciation of property, plant and equipment of approximately RMB2,023,000 was included in cost of sales (2020: nil).*

6. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2021 of approximately RMB1,202,000 (six months ended 30 June 2020: profit of approximately RMB1,849,000) and the weighted average number of 880,838,000 (six months ended 30 June 2020: 880,838,000) ordinary shares in issue during the reporting period.

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

7. DIVIDENDS

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2021 (2020: nil).

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, the Group did not incurred costs for property, plant and equipment and right-of-use assets (year ended 31 December 2020: approximately RMB72,259,000).

9. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Breeder hogs <i>RMB'000</i>	Porkers <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020 (audited)	–	–	–
Increase due to purchases	40,000	–	40,000
Decrease due to retirement and deaths	(2,090)	–	(2,090)
Loss arising from change in fair value less costs to sell	<u>(11,612)</u>	<u>–</u>	<u>(11,612)</u>
As at 31 December 2020 and 1 January 2021 (audited)	26,298	–	26,298
Increase due to purchases	–	4,194	4,194
Increase due to raising (Feeding cost and others)	1,333	1,029	2,362
Decrease due to retirement and deaths	(6,823)	(354)	(7,177)
Loss arising from change in fair value less costs to sell	<u>(830)</u>	<u>(1,063)</u>	<u>(1,893)</u>
As at 30 June 2021 (unaudited)	<u><u>19,978</u></u>	<u><u>3,806</u></u>	<u><u>23,784</u></u>

Analysed for reporting purposes as:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets – breeder hogs	19,978	26,298
Current assets – porkers	3,806	–
At the end of the period/year	<u>23,784</u>	<u>26,298</u>

The Group's biological assets as at 30 June 2021 and 31 December 2020 have been arrived at on the basis of a valuation carried out by an independent qualified professional valuer. Given the nature of the biological assets where market determined prices are available, the fair value less costs to sell have been determined by the market approach based on the market determined prices as at 30 June 2021 and 31 December 2020 adjusted with such attributes as hog breed and stage of growth in the lifecycle. The resulting net loss arising from change in fair value less costs to sell of biological assets of approximately RMB1,893,000 (six months ended 30 June 2020: nil) has been recognised directly in profit or loss for the six months ended 30 June 2021.

Fair value hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2021 (unaudited)				
Biological assets				
– Breeder hogs	–	19,978	–	19,978
– Porkers	–	3,806	–	3,806
	<u>–</u>	<u>23,784</u>	<u>–</u>	<u>23,784</u>

As at 31 December 2020 (audited)

Biological assets				
– Breeder hogs	–	26,298	–	26,298
	<u>–</u>	<u>26,298</u>	<u>–</u>	<u>26,298</u>

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value less costs to sell of the breeder hogs and porkers are determined with reference to the market-determined prices of items with similar age, weight and breeds.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong (<i>note</i>)	<u>17,473</u>	<u>18,742</u>

Note:

At 30 June 2021, the fair value of the listed equity securities, amounting to approximately RMB17,473,000 (31 December 2020: approximately RMB18,742,000), was determined based on the quoted market bid prices available on the Stock Exchange.

11. TRADE RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	7,787	11,448
Less: Allowance for expected credit losses	<u>(71)</u>	<u>(105)</u>
	<u>7,716</u>	<u>11,343</u>

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 allowance for expected credit losses, based on the invoice date, is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	7,178	11,343
Over 90 days	538	–
	<u>7,716</u>	<u>11,343</u>

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Balance at the beginning of the period/year	105	5,743
Write-off	–	(5,743)
Allowance for expected credit losses recognised	–	106
Reversal of allowance for expected credit losses for the period/year	(28)	–
Exchange realignment	(6)	(1)
	<u>71</u>	<u>105</u>

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 judgement and estimates. Provisions would apply to the trade 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 management of the Group on the collectability of overdue balances.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Loan receivables (<i>note (a)</i>)	265,630	322,518
Prepayments, deposits and other receivables (<i>notes (b) and (c)</i>)	<u>101,809</u>	<u>103,141</u>
	367,439	425,659
Less: Allowance for expected credit losses	<u>(12,790)</u>	<u>(19,544)</u>
	<u>354,649</u>	<u>406,115</u>

Analysed for reporting purposes as:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets	225,261	269,276
Current assets	<u>129,388</u>	<u>136,839</u>
	<u>354,649</u>	<u>406,115</u>

Notes:

- (a) As at 30 June 2021, there were loan receivables of approximately RMB265,630,000 (31 December 2020: approximately RMB322,518,000) net of allowances for expected credit losses of approximately RMB1,831,000 (31 December 2020: approximately RMB4,342,000). The loan receivables were unsecured, weighted average interest bearing at 0.03% per annum (31 December 2020: 0.07% per annum) and repayable within one to five years (31 December 2020: one to five years).

- (b) As at 30 June 2021, there was other receivable of approximately RMB25,000,000 (31 December 2020: approximately RMB38,000,000) net of allowances for expected credit losses of approximately RMB9,690,000 (31 December 2020: approximately RMB14,274,000). The other receivable was related to cash consideration from disposal of subsidiary, 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*) during the year ended 31 December 2018 which is recoverable on demand.
- (c) As at 30 June 2021, there were interest receivables of approximately RMB234,000 (31 December 2020: approximately RMB1,084,000) net of allowances for expected credit losses of approximately RMB11,000 (31 December 2020: approximately RMB58,000).

13. TRADE PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables	<u><u>3,067</u></u>	<u><u>3,689</u></u>

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	<u><u>3,067</u></u>	<u><u>3,689</u></u>

* For identification purpose only

14. BORROWINGS AND NOTE PAYABLE

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Unsecured:		
Note payable	–	8,390
Other borrowings	<u>9,103</u>	<u>10,656</u>
	<u>9,103</u>	<u>19,046</u>

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	<u>9,103</u>	<u>19,046</u>

The carrying amount of the Group's borrowings/note payable is originally denominated in HK\$.

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

	As at 30 June 2021 <i>% (p.a.)</i> (Unaudited)	As at 31 December 2020 <i>% (p.a.)</i> (Audited)
Fixed rate borrowings	<u>10.00</u>	<u>2.00 – 10.00</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period 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.

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 the African Swine Fever ("ASF") and it has a strong transmission ability and difficult to discover the symptoms in early stage.

The 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) recently noticed that 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 have 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.

Following on the suspension, since 24 October 2018, 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.

* For identification purposes only

During the first half of 2021, 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 re-commenced by the end of year 2020.

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.

In last year, 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. However, 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.

Meanwhile, 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 be able to obtain the licence/ permit at the end of 2021 and subject to the actual regulatory.

* For identification purposes only

In order to minimise the operation risk caused by ASF and 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 2019, the Group commenced a new business 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, our pipelines business has captured certain reputation in the industry of selling pipe system products and received a steady increase in revenue with an approximately of 10% to 20% gross profits. 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 fund 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 ASF and COVID-19.

Financial Review

During the period under review, the Group recorded revenue from pork business of approximately RMB31.2 million (2020: nil) as to its business was re-commenced since the fourth quarter of 2020. The pipelines business was generated a revenue of approximately RMB20.1 million, representing an increase of 984.12% or RMB18.3 million as compared with the same period of last year.

The selling and distribution expenses of the Group for the six months ended 30 June 2021 increased from approximately RMB13,000 to approximately RMB51,000 which was mainly due to the resumption of the operations in pork business during last year.

The administrative expenses of the Group for the six months ended 30 June 2021 were approximately RMB7.6 million (2020: approximately RMB11.4 million). The decrease was mainly due to the suspension of pork business during the six months ended 30 June 2020 which indirectly affecting the direct operating depreciation charge of approximately of RMB2.0 million was recorded in administrative expenses.

The Group's finance costs were approximately RMB1.1 million during the six months ended 30 June 2021 (2020: approximately RMB0.2 million).

The loss attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB1.2 million as compared to a profit of approximately RMB1.8 million with the same period of last year.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 30 June 2021, the Group had bank balances and cash of approximately RMB72.8 million (31 December 2020: approximately RMB14.9 million). The Group also had net current assets of approximately RMB143.7 million as at 30 June 2021, while it was approximately RMB79.9 million as at 31 December 2020. The total non-current assets of the Group decreased by approximately RMB56.3 million from approximately RMB519.1 million as at 31 December 2020 to approximately RMB462.8 million as at 30 June 2021, which was mainly due to the change in biological assets and loan and other receivables.

As at 30 June 2021, the Group had borrowings of approximately RMB9.1 million with fixed interest rate of 10% per annum.

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

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi, Japanese Yen and Hong Kong dollars for the six months ended 30 June 2021. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2021, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Gearing Ratio

As at 30 June 2021, the Group's gearing ratio (being its total debts, which are the summation of borrowings divided by its total equity and multiplied by 100%) was approximately 1.5% (31 December 2020: 3.2%).

Foreign Exchange Exposure

Since almost all transactions of the Group are denominated either in Renminbi, Japanese Yen and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the reporting period, the Directors believe that such exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Capital Commitments and Contingent Liabilities

Save as disclosed elsewhere in the condensed consolidated interim financial statements, for the six months ended 30 June 2021, the Directors were not aware of any material capital commitments and contingent liabilities.

Material Acquisition and Disposal

Save as disclosed elsewhere in the condensed consolidated interim financial statements, during the period under review, the Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures.

Significant Investment

During the period under review, there were no other significant investment.

Event after the Reporting Date

- a) Since January 2020, the outbreak of COVID-19 has impacted the global business environment. 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.

- b) On 28 July 2021, the Company granted a total of 88,080,000 share options under the Share Option Scheme to subscribe for an aggregate of 88,080,000 Shares of HK\$0.01 each in the share capital of the Company, of which 44,040,000 share options were granted to the eligible employees of the Group and 44,040,000 share options were granted to the eligible consultants of the Group, at an exercise price of HK\$0.083 each per Share.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2021 and up to the date of this announcement.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: nil).

Employees and Remuneration Policy

As at 30 June 2021, the Group employed 29 staff members in Hong Kong, Japan and the PRC (31 December 2020: 29). The Group remunerates its employees based on their performance and experience, and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program.

The Company has adopted a share option scheme on 11 February 2014 which enables it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions to the Group.

Capital Structure

During the six months ended 30 June 2021, there are a total of 880,838,000 of issued Shares of the Company.

There were no other changes in the capital structure of the Company during the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

During the six months ended 30 June 2021 and up to the date of this announcement, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong King Shiu, Daniel	China Information Technology Development Limited ("China Information"), Stock Code: 8178	Money Lending Business	Chairman, Chief executive officer and executive director of China Information
Wong Yuk Lun, Alan	NOVA Group Holdings Limited ("NOVA Group"), Stock Code: 1360	Money Lending Business	Executive director of NOVA Group

As the Board is independent to the board of the above mentioned companies, the Group is capable of carrying on its business independently and at an arm's length transactions, from the business of above companies.

Save as disclosed above, none of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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

OUTLOOK AND FUTURE PROSPECTS

During the period under review, the swing of "COVID-19" and 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 re-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 licence, 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 global 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 be recommenced in near 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company had complied with all the Code Provisions during the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee is primarily responsible for, among other things, reviewing the Group’s financial controls, risk management and internal control systems and monitoring the integrity of its financial statements and financial reports. The Audit Committee has reviewed with the management the financial and accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan, with Mr. Chan Hin Hang as its chairman.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hsihl.com. The Company's interim report for the six months ended 30 June 2021 will be available at the same websites and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 31 August 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 Hing Hang, Mr. Wong King Shiu, Daniel, Mr. Wong Yuk Lun, Alan and Dr. Wang Guiping as independent non-executive Directors.