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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 2022

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 2022 with comparative figures for the corresponding period in 2021. 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 2022

	Notes	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	18,567	51,380
Cost of sales		(19,893)	(49,103)
Gross (loss)/profit		(1,326)	2,277
Other income	3	4,926	4,678
Other gain or loss, net		(387)	(7,177)
Loss arising from change in fair value less costs to sell of biological assets		–	(1,893)
Net gain arising from change in fair value of financial assets at fair value through profit or loss		336	3,506
Net loss arising from disposal of financial assets at fair value through profit or loss		(12)	(206)
Reversal of expected credit losses, net		4,978	6,777
Selling and distribution expenses		(36)	(51)
Administrative expenses		(9,447)	(7,571)
Finance costs		–	(1,139)

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss before taxation		(968)	(799)
Taxation	4	<u>—</u>	<u>—</u>
<b>Loss for the period</b>	<b>5</b>	<u><b>(968)</b></u>	<u><b>(799)</b></u>
<b>Other comprehensive income</b>			
<b>for the period:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>12,084</u>	<u>8,810</u>
Other comprehensive income for the period, net of income tax		<u>12,084</u>	<u>8,810</u>
<b>Total comprehensive income for the period</b>		<u><b>11,116</b></u>	<u><b>8,011</b></u>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(415)	(1,202)
Non-controlling interests		<u>(553)</u>	<u>403</u>
		<u><b>(968)</b></u>	<u><b>(799)</b></u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
Owners of the Company		11,612	7,612
Non-controlling interests		<u>(496)</u>	<u>399</u>
		<u><b>11,116</b></u>	<u><b>8,011</b></u>
<b>Loss per share attributable to owners of the Company</b>			
	<b>6</b>		
Basic and diluted ( <i>RMB cents per share</i> )		<u><b>(0.05)</b></u>	<u><b>(0.14)</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>8</i>	<b>179,218</b>	183,743
Right-of-use assets	<i>8</i>	<b>9,419</b>	9,550
Investment property		<b>11,300</b>	11,700
Biological assets	<i>9</i>	–	387
Financial assets at fair value through other comprehensive income		<b>870</b>	870
		<b>200,807</b>	206,250
<b>Current assets</b>			
Inventories		<b>2,984</b>	3,326
Financial assets at fair value through profit or loss	<i>10</i>	<b>5,621</b>	5,198
Trade receivables	<i>11</i>	<b>11,871</b>	11,214
Loan receivables	<i>12</i>	<b>216,962</b>	248,458
Prepayments, deposits and other receivables	<i>12</i>	<b>44,560</b>	52,690
Bank balances and cash		<b>186,715</b>	131,581
		<b>468,713</b>	452,467

		As at <b>30 June 2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> <b>(Audited)</b>
<b>Current liabilities</b>			
Trade payables	13	3,629	3,463
Accruals and other payables		70,937	71,404
Deferred revenue		25	25
Tax payable		9,360	9,360
		<u>83,951</u>	<u>84,252</u>
<b>Net current assets</b>		<u>384,762</u>	<u>368,215</u>
<b>Total assets less current liabilities</b>		<u>585,569</u>	<u>574,465</u>
<b>Non-current liabilities</b>			
Lease liabilities		102	102
Deferred revenue		215	227
		<u>317</u>	<u>329</u>
<b>Net assets</b>		<u><u>585,252</u></u>	<u><u>574,136</u></u>
<b>Equity</b>			
Share capital		7,308	7,308
Reserves		577,654	566,042
Equity attributable to owners of the Company		<u>584,962</u>	<u>573,350</u>
Non-controlling interests		290	786
<b>Total equity</b>		<u><u>585,252</u></u>	<u><u>574,136</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2022 are consistent with those used in the annual financial statements for the year ended 31 December 2021 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 2021.

### **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 2021, 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 2022 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 director 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 — provision of technical advisory services on the design, application, implementation and installation, and selling and distributing of pipe system products

## Segment revenue and results

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

	<b>Slaughtering and trading of pork products <i>RMB'000</i> (Unaudited)</b>	<b>Pipe system products <i>RMB'000</i> (Unaudited)</b>	<b>Total <i>RMB'000</i> (Unaudited)</b>
<b>Six months ended 30 June 2022</b>			
Segment revenue	<u>18,449</u>	<u>118</u>	<u>18,567</u>
Segment results	<u>(1,117)</u>	<u>(1,834)</u>	<u>(2,951)</u>
Net gain arising from change in fair value of financial assets at fair value through profit or loss			336
Net loss arising from disposal of financial assets at fair value through profit or loss			(12)
Reversal of expected credit losses, net			4,978
Unallocated corporate income			365
Unallocated corporate expenses			<u>(3,684)</u>
Loss before taxation			<u><u>(968)</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)
<b>Six months ended 30 June 2021</b>			
Segment revenue	31,237	20,143	51,380
Segment results	(9,770)	1,406	(8,364)
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 expected credit losses, net			6,777
Unallocated corporate income			706
Unallocated corporate expenses			(2,079)
Finance costs			(1,139)
Loss before taxation			<u>(799)</u>

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

	<b>Slaughtering and trading of pork products <i>RMB'000</i> (Unaudited)</b>	<b>Pipe system products <i>RMB'000</i> (Unaudited)</b>	<b>Total <i>RMB'000</i> (Unaudited)</b>
<b>At 30 June 2022</b>			
Segment assets	<u><u>421,749</u></u>	<u><u>23,217</u></u>	<u><u>444,966</u></u>
Segment liabilities	<u><u>(21,899)</u></u>	<u><u>(8,568)</u></u>	<u><u>(30,467)</u></u>
	<b>Slaughtering and trading of pork products <i>RMB'000</i> (Audited)</b>	<b>Pipe system products <i>RMB'000</i> (Audited)</b>	<b>Total <i>RMB'000</i> (Audited)</b>
<b>At 31 December 2021</b>			
Segment assets	<u><u>374,387</u></u>	<u><u>25,421</u></u>	<u><u>399,808</u></u>
Segment liabilities	<u><u>(22,029)</u></u>	<u><u>(7,108)</u></u>	<u><u>(29,137)</u></u>

Reconciliation of reportable segments' assets and liabilities:

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (Audited)
<b>Assets</b>		
Total assets of reportable segments	<b>444,966</b>	399,808
Unallocated and other corporate assets:		
Financial assets at fair value through profit or loss	<b>5,621</b>	5,198
Loan receivables	<b>216,962</b>	248,458
Prepayments, deposits and other receivables	<b>1,176</b>	1,473
Bank balances and cash	<b>795</b>	3,780
	<hr/>	<hr/>
Consolidated total assets	<b>669,520</b>	658,717
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>30,467</b>	29,137
Unallocated and other corporate liabilities:		
Accruals and other payables	<b>44,441</b>	46,084
Tax payable	<b>9,360</b>	9,360
	<hr/>	<hr/>
Consolidated total liabilities	<b>84,268</b>	84,581
	<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 financial assets at fair value through profit or loss, loan receivables, 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 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 2021: the PRC and 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
– The PRC	18,449	31,237
– Japan	118	20,143
	<u>18,567</u>	<u>51,380</u>

### Information about major customers

For the six months ended 30 June 2022, revenue generated from six customers which has individually accounted for over 10% of the Group's total revenue (six months ended 30 June 2021: two). No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2022 (six months ended 30 June 2021: none).

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A from pipe system products ( <i>note</i> )	–	10,247
Customer B from slaughtering and trading of pork products	3,074	5,147
Customer C from slaughtering and trading of pork products ( <i>note</i> )	2,832	–
Customer D from slaughtering and trading of pork products ( <i>note</i> )	2,722	–
Customer E from slaughtering and trading of pork products ( <i>note</i> )	2,481	–
Customer F from slaughtering and trading of pork products ( <i>note</i> )	2,318	–
Customer G from slaughtering and trading of pork products ( <i>note</i> )	2,097	–

*Note:*

The corresponding revenue did not contribute over 10% of the total revenue of the Group.

### 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers</b>		
<i>Recognition at a point in time</i>		
Sale of pork products	18,449	31,237
Sale of pipe system products	118	20,143
	<u>18,567</u>	<u>51,380</u>
<b>Other income</b>		
Interest income on:		
Bank deposits	222	38
Loan receivables	345	705
Amortisation of deferred revenue	12	13
	<u>579</u>	<u>756</u>
Total interest income	579	756
Government grants ( <i>note</i> )	1,007	–
Refund of Japan consumption tax	450	–
Rental income	2,880	3,921
Sundry income	10	1
	<u>4,926</u>	<u>4,678</u>

*Note:*

During the period ended 30 June 2022, the Group recognised government grants of approximately RMB7,000 (six months ended 30 June 2021: nil) in respect of COVID-19 related subsidies relates to Employment Support Scheme provided by the Hong Kong Government. The remaining government grant represents subsidies and awards from the PRC government authorities for the Group's contribution to the development of the local economies.

#### 4. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current tax – Japan		
Charge for the period	—	—
Current tax – PRC		
Charge for the period	—	—
Income tax charge	<u>—</u>	<u>—</u>

#### **Hong Kong**

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

## 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.

## Japan

Japan corporate income tax has been calculated on the estimated assessable profit at the rates of taxations prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates of approximately 30.6%.

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation	<u>(968)</u>	<u>(799)</u>
Tax at the applicable income tax rate	(92)	(200)
Tax effect of income not taxable for tax purpose	(2,317)	(2,249)
Tax effect of expenses not deductible for tax purpose	1,310	49
Tax effect of tax loss not recognised	<u>1,099</u>	<u>2,400</u>
Income tax expense	<u>–</u>	<u>–</u>

## 5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	572	553
Other staff costs:		
Salaries and other benefits	1,277	1,786
Retirement scheme contributions	133	199
Total staff costs	<u>1,982</u>	<u>2,538</u>
Depreciation of property, plant and equipment*	4,525	4,585
Depreciation of right-of-use assets	131	246
Depreciation of investment property	400	329
Cost of inventories recognised as expenses	<u>17,363</u>	<u>46,947</u>

\* Depreciation of property, plant and equipment of approximately RMB2,023,000 was included in cost of sales (six months ended 30 June 2021: approximately RMB2,023,000).

## 6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2022 of approximately RMB415,000 (six months ended 30 June 2021: approximately RMB1,202,000) and the weighted average number of 880,838,000 (six months ended 30 June 2021: 880,838,000) ordinary shares in issue during the reporting period.

The diluted loss per share was same as the basic loss 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 2022 (six months ended 30 June 2021: nil).

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

During the period, the Group had not incurred any costs for property, plant and equipment and right-of-use assets (year ended 31 December 2021: nil).

## 9. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	<b>Breeder hogs</b> <i>RMB'000</i>	<b>Porkers</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2021 (audited)	26,298	–	26,298
Increase due to purchases	–	4,194	4,194
Increase due to raising (Feeding cost and others)	1,525	1,187	2,712
Decrease due to retirement and deaths	(16,395)	(368)	(16,763)
Decrease due to sales	–	(3,951)	(3,951)
Loss arising from change in fair value less costs to sell	<u>(11,041)</u>	<u>(1,062)</u>	<u>(12,103)</u>
As at 31 December 2021 and 1 January 2022 (audited)	387	–	387
Decrease due to retirement and deaths	<u>(387)</u>	<u>–</u>	<u>(387)</u>
<b>As at 30 June 2022 (unaudited)</b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>–</u></b>



Analysed for reporting purposes as:

	<b>As at 30 June 2022 <i>RMB'000</i> (Unaudited)</b>	<b>As at 31 December 2021 <i>RMB'000</i> (Audited)</b>
Non-current assets – breeder hogs	—	387
At the end of the period/year	<u>—</u>	<u>387</u>

The Group's biological assets as at 31 December 2021 have been arrived at on the basis of a valuation carried out by an independent qualified professional valuer. Given the nature of the biological assets where market determined prices are available, the fair value less costs to sell have been determined by the market approach based on the market determined prices as at 31 December 2021 adjusted with such attributes as hog breed and stage of growth in the lifecycle. The resulting no change in fair value less costs to sell of biological assets (six months ended 30 June 2021: approximately RMB1,893,000) has been recognised directly in profit or loss for the six months ended 30 June 2022.

#### **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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2021 (audited)</b>				
Biological assets				
– Breeder hogs	–	387	–	387

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2021: 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**

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Held-for-trading investments:</b>		
Equity securities listed in Hong Kong ( <i>note</i> )	<b>5,621</b>	<b>5,198</b>

*Note:*

As at 30 June 2022, the fair value of the listed equity securities, amounting to approximately RMB5,621,000 (31 December 2021: approximately RMB5,198,000), was determined based on the quoted market bid prices available on the Stock Exchange.

## 11. TRADE RECEIVABLES

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	<b>12,005</b>	11,358
<i>Less:</i> Allowance for expected credit losses	<u><b>(134)</b></u>	<u>(144)</u>
	<u><b>11,871</b></u>	<u>11,214</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 <b>30 June</b> <b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 30 days	<b>1,350</b>	1,871
31 to 60 days	<b>1,456</b>	2,169
61 to 90 days	<b>194</b>	5,821
Over 90 days	<u><b>8,871</b></u>	<u>1,353</u>
	<u><b>11,871</b></u>	<u>11,214</u>

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

	As at <b>30 June</b> <b>2022</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (Audited)
Balance at the beginning of the period/year	144	105
Allowance for expected credit losses recognised	32	121
Reversal of expected credit losses	(35)	(72)
Exchange realignment	(7)	(10)
	<hr/>	<hr/>
Balance at the end of the period/year	<b>134</b>	144
	<hr/> <hr/>	<hr/> <hr/>

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. LOAN RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at <b>30 June</b> <b>2022</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (Audited)
Loan receivables ( <i>note (a)</i> )	219,454	251,311
Other prepayments, deposits and other receivables ( <i>notes (b) and (c)</i> )	44,999	57,763
	<hr/>	<hr/>
	264,453	309,074
Less: Allowance for expected credit losses	(2,931)	(7,926)
	<hr/>	<hr/>
	<b>261,522</b>	301,148
	<hr/> <hr/>	<hr/> <hr/>

Analysed for reporting purposes as:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Current assets	<b><u>261,522</u></b>	<b><u>301,148</u></b>

*Notes:*

- (a) As at 30 June 2022, there were loan receivables of approximately RMB219,454,000 (31 December 2021: approximately RMB251,311,000) net of allowances for expected credit losses of approximately RMB2,492,000 (31 December 2021: approximately RMB2,853,000). The loan receivables were unsecured, weighted average interest bearing at 0.3% per annum (31 December 2021: 0.3% per annum) and repayable within one year (31 December 2021: one year).
- (b) As at 31 December 2021, there was other receivable of approximately RMB12,000,000 net of allowances for expected credit losses of approximately RMB4,620,000. The amount 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.\*) was fully settled during the period ended 30 June 2022.
- (c) As at 30 June 2022, there were interest receivables of approximately RMB489,000 (31 December 2021: approximately RMB598,000) net of allowances for expected credit losses of approximately RMB23,000 (31 December 2021: approximately RMB28,000).

\* For identification purpose only

### 13. TRADE PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	<u><u>3,629</u></u>	<u><u>3,463</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 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 30 days	–	3,463
Over 61 days	<u>3,629</u>	<u>–</u>
	<u><u>3,629</u></u>	<u><u>–</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

During the period of review, the Group has two business segments: Slaughtering and trading of pork products and Pipe system products. Slaughtering and trading of pork products is mainly in the production and sale of daily consumable pork and related meat food products to the domestic market, hog breeding, and hog farming in Changde, Hunan Province, the People's Republic of China (the "PRC"). Pipe system products is in the provision of rendering technical advisory services on the design, application, implementation, and installation, selling and distribution of pipe system products.

### **Slaughtering and trading of pork products**

During the period under review, the PRC hog prices have been increasing slightly to about RMB15 per kilogram from the lowest hog price of about RMB12 per kilogram in the year of 2021, which was one-third of about RMB45 per kilogram of hog price in 2019.

Not merely facing a challenge of hog price fluctuation in the past years, the COVID-19 has been continuing attack against animal husbandry and breed farming industry in the past 2 to 3 years. The PRC government authorities encourage pig farmers to adopt higher technology with stricter environmental requirements for strengthening and improving nourishment and minimizing diseases in the production cycle of hog breeding.

In addition, the environmental protection regulations set by the PRC government authorities led the Group hardly to fully resume our operations in this sector. More technical, administrative works and relevant operational methods to be implemented, more operating costs to be incurred. In order to resuming our operations in a normal basis and meeting with the pollution emission standards, throughout the past few years, we put a lot of our best effort in improving breeding farms, upgrading our equipment, balancing the breeding and slaughtering operations and/or by way of focusing on the production of pork products which to be achieving our optimal of our operations in that kind of small business operating scale.

However, a rise in the breeding costs and operational expenditures has driven to an increase in the overall expenditure too, which led the Group has struggle with the pressure on the operating costs and low profit margin.

For adopting a serious and cautious manner in order for minimising the operating costs and the risk that could be facing by the Group, we remain adopting the price control measures by purchasing piglets from independent pig farmers for fattening purposes and will be sent off for slaughtering and sold as pork products. Besides, the Group has outsourced the hog slaughtering procedures to an independent slaughterhouse, and hogs are sent to the slaughterhouse for slaughtering. Afterward, the pork products are packed and sold directly or further processed to the customers' requirements. This measure would lead the Group in stabilising of the production costs and maximising of the Group's profit margin instead.

### **Pipe system products**

For the six months ended 30 June 2022, revenue for Pipe system products dropped significantly and recorded approximately RMB118,000, representing a decrease of 99.4% as compared to the corresponding period of last year. A significant decrease was mainly due to the uncertainty of the COVID-19 epidemic in the areas of Japan, our several local sales orders were then delayed which affected our operations in Pipe system products. Our team has already been re-communicating with the customers in order for resuming our services in that business segment. We expect our revenue for Pipe system products may gradually improve as a result of obtaining more sales orders in the second half of 2022.

The Group will continue to maintain the pig business ahead together with the pipelines business and strike a balance between the pork business and the pipelines business with better allocating resources of the Group to maximize the profit return to the shareholders of the Company. The Group's management will be cautiously in dealing with the business risks and internal control under the epidemic impact.

### **Financial Review**

During the period under review, the Group recorded revenue from pork business and pipeline business of approximately RMB18.4 million (2021: approximately RMB31.2 million) and approximately RMB0.1 million (2021: approximately RMB20.1 million) respectively. The gross loss margin was mainly attributable to the pork business as a result of sales volume decreased during the six months ended 30 June 2022 and the fixed costs such as depreciation charges and fixed overhead cannot be offset by sales margin.

The selling and distribution expenses of the Group for the six months ended 30 June 2022 decreased from approximately RMB51,000 to approximately RMB36,000.



The administrative expenses of the Group for the six months ended 30 June 2022 were approximately RMB9.4 million (2021: approximately RMB7.6 million). Such increase was mainly due to heavily incidental costs incurred for pork business during the period.

The Group's finance costs were approximately RMBnil during the six months ended 30 June 2022 (2021: approximately RMB1.1 million).

The loss attributable to owners of the Company for the six months ended 30 June 2022 was approximately RMB0.4 million as compared approximately RMB1.2 million to the corresponding period of last year.

### **Liquidity, Financial Resources and Funding and Treasury Policy**

As at 30 June 2022, the Group had bank balances and cash of approximately RMB186.7 million (31 December 2021: approximately RMB131.6 million). The Group also had net current assets of approximately RMB384.8 million as at 30 June 2022, while it was approximately RMB368.2 million as at 31 December 2021.

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 2022. 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 2022, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

### **Gearing Ratio**

As at 30 June 2022, 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 0.02% (31 December 2021: 0.02%).

## **Foreign Exchange Exposure**

The Group's assets, liabilities and cash flow from operations are mainly denominated in Hong Kong dollars, Renminbi and Japanese Yen. The Group currently does not have any related foreign exchange hedges, however the Company monitors its foreign exchange exposure and will consider hedges should the need arise.

## **Capital Commitments and Contingent Liabilities**

Save as disclosed elsewhere in the condensed consolidated interim financial statements, for the six months ended 30 June 2022, 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 was no other significant investment.

## **Event after the Reporting Date**

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2022 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 2022 (2021: nil).

## **Employees and Remuneration Policy**

As at 30 June 2022, the Group employed 22 staff members in Hong Kong, Japan and the PRC (31 December 2021: 26). 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 2022, 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 2022.

## **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 2022.

## COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

During the six months ended 30 June 2022 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 ( <i>Note</i> )	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

*Note:* Mr. Wong King Shiu, Daniel retired as an independent non-executive Director on 30 June 2022.

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**

Looking forward, in the second half of 2022, our business sector in slaughtering and trading of pork products will become challenging in respect to the uncertainty of COVID-19 pandemic, the adoption of policies or regulations by the PRC government authorities and the hog price fluctuation will be dominantly by the market trend. We expect that the hog price will moderately be going upward and become more stable in the future.

The Group keeps taking cautious manner in performing and operating our core business segments and seeking for an alteration in order to resume our pork business, such as to satisfy all relevant requirements imposed by the PRC government authorities for granting the slaughtering permits, seeking for any potential investment or cooperative opportunities as to an expansion of its up- or downstream business integration, including but not limited to, an acquisition of an existing equipped breeding farm, feeding company and/or slaughterhouse for optimising of its existing operating scale. In respect to Pipe system products, we expect various new local sales orders can be committed, which would strike a balance between our business sectors and will be more effectively in allocating the Group's funding resources, and can be maximising the value of our shareholders 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 2022.

## **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.

During the six months ended 30 June 2022, the Company has complied with the Code Provisions except for the deviation as described below:

- 1) Following the retirements of Mr Chan Hin Hang and Mr. Wong King Shiu, Daniel on 30 June 2022, the Company had only two independent non-executive Directors. As a result, the number of independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. In addition, the Company failed to meet the composition requirement of the Audit Committee under Rule 3.21 of the Listing Rules during the period from 30 June 2022 to 18 August 2022.
- 2) Under C.1.6 contained in Part 2 of Code Provision, independent non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Chan Hin Hang was unable to attend the annual general meeting of the Company held on 30 June 2022 due to his engagement in other commitment.

## **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 2022. 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. Wong Yuk Lun, Alan, Dr. Wang Guiping and Mr. Huang Ruilin, with Mr. Wong Yuk Lun, Alan 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](http://www.hkexnews.hk) and the Company's website at [www.hsihl.com](http://www.hsihl.com). The Company's interim report for the six months ended 30 June 2022 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**  
**Qin Yuanling**  
*Executive Director*

Hong Kong, 31 August 2022

*As at the date of this announcement, the Board comprises Ms. Qin Yuanling as executive Director; and Mr. Wong Yuk Lun, Alan, Mr. Huang Ruilin and Dr. Wang Guiping as independent non-executive Directors.*