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HUISHENG INTERNATIONAL HOLDINGS LIMITED

惠生國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1340)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Huisheng International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	<i>5</i>	72,947	81,291
Cost of sales		<u>(71,106)</u>	<u>(78,689)</u>
Gross profit		1,841	2,602
Other income	<i>5</i>	11,362	9,131
Other gain or loss, net	<i>7</i>	(3,494)	(16,724)
Loss arising from change in fair value less costs to sell of biological assets		–	(12,103)
Gain arising from change in fair value of financial assets at fair value through profit or loss		292	776
Impairment loss of property, plant and equipment		–	(6,898)
Reversal of allowance for expected credit losses, net		484	11,550
Selling and distribution expenses		(81)	(87)
Administrative expenses		(19,361)	(19,351)
Finance costs	<i>8</i>	<u>–</u>	<u>(779)</u>
Loss before taxation		(8,957)	(31,883)
Taxation	<i>9</i>	<u>–</u>	<u>–</u>
Loss for the year	<i>10</i>	<u>(8,957)</u>	<u>(31,883)</u>

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive (expense)/income for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		(230)	370
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(3,972)</u>	<u>8,293</u>
Other comprehensive (expense)/income for the year, net of income tax		<u>(4,202)</u>	<u>8,663</u>
Total comprehensive expense for the year		<u>(13,159)</u>	<u>(23,220)</u>
Loss for the year attributable to :			
Owners of the Company		(5,645)	(31,771)
Non-controlling interests		<u>(3,312)</u>	<u>(112)</u>
		<u>(8,957)</u>	<u>(31,883)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(9,767)	(23,128)
Non-controlling interests		<u>(3,392)</u>	<u>(92)</u>
		<u>(13,159)</u>	<u>(23,220)</u>
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	12	<u>(0.64)</u>	<u>(3.61)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>13</i>	174,693	183,743
Right-of-use assets		9,288	9,550
Investment property		10,900	11,700
Biological assets		–	387
Financial assets at fair value through other comprehensive income		640	870
		<u>195,521</u>	<u>206,250</u>
Current assets			
Inventories		2,110	3,326
Financial assets at fair value through profit or loss	<i>14</i>	5,155	5,198
Trade receivables	<i>15</i>	11,142	11,214
Loan receivables		2,860	248,458
Prepayments, deposits and other receivables		18,335	52,690
Bank balances and cash		416,389	131,581
		<u>455,991</u>	<u>452,467</u>
Current liabilities			
Trade payables	<i>16</i>	6,556	3,463
Accruals and other payables		74,290	71,404
Deferred revenue		25	25
Tax payable		9,360	9,360
		<u>90,231</u>	<u>84,252</u>
Net current assets		<u>365,760</u>	<u>368,215</u>
Total assets less current liabilities		<u>561,281</u>	<u>574,465</u>

	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	102	102
Deferred revenue	202	227
	<u>304</u>	<u>329</u>
Net assets	<u>560,977</u>	<u>574,136</u>
Equity		
Share capital	7,308	7,308
Reserves	556,275	566,042
	<u>563,583</u>	<u>573,350</u>
Equity attributable to owners of the Company	563,583	573,350
Non-controlling interests	(2,606)	786
	<u>560,977</u>	<u>574,136</u>
Total equity	<u>560,977</u>	<u>574,136</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary user. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² *Effective for annual periods beginning on or after a date to be determined.*

³ *Effective for annual periods beginning on or after 1 January 2024.*

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

5. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the years ended 31 December 2022 and 2021 is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers		
<i>Recognition at a point in time</i>		
Sale of pork products	65,851	56,513
Sale of pipe system products	7,096	24,778
	<u>72,947</u>	<u>81,291</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Interest income on:		
Bank deposits	640	166
Loan receivables	664	1,113
	<u>1,304</u>	<u>1,279</u>
Total interest income	1,304	1,279
Amortisation of deferred revenue	25	25
Rental income	7,817	7,817
Government grants (<i>note</i>)	1,043	–
Refund of Japan consumption tax	437	–
Reversal of trade receivables written off in previous year	637	–
Sundry income	99	10
	<u>11,362</u>	<u>9,131</u>

Note:

During the year, the Group recognised government grant of RMB987,000 (2021: nil) in respect of subsidies and awards from local government authorities for the Group's contribution to the development of the local economics.

The remaining government grant of RMB56,000 (2021: nil) in respect of funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spending all the funding on paying wages to the employees.

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (“CODMs”), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance.

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

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

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

Segment revenue and results

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

	Slaughtering and trading of pork products <i>RMB’000</i>	Pipe system products <i>RMB’000</i>	Total <i>RMB’000</i>
Year ended 31 December 2022			
Segment revenue	<u>65,851</u>	<u>7,096</u>	<u>72,947</u>
Segment results	<u>4,242</u>	<u>(11,041)</u>	<u>(6,799)</u>
Gain arising from change in fair value of financial assets at fair value through profit or loss			292
Reversal of allowance for expected credit losses, net			2,766
Unallocated corporate income			1,299
Unallocated corporate expenses			<u>(6,515)</u>
Loss before taxation			<u><u>(8,957)</u></u>

	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021			
Segment revenue	<u>56,513</u>	<u>24,778</u>	<u>81,291</u>
Segment results	<u>(25,815)</u>	<u>(340)</u>	(26,155)
Other gain or loss, net			39
Gain arising from change in fair value of financial assets at fair value through profit or loss			776
Reversal of allowance for expected credit losses, net			1,530
Unallocated corporate income			1,121
Unallocated corporate expenses			(8,415)
Finance costs			<u>(779)</u>
Loss before taxation			<u><u>(31,883)</u></u>

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

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

Segment assets and liabilities

	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2022			
Segment assets	<u><u>622,148</u></u>	<u><u>18,527</u></u>	<u><u>640,675</u></u>
Segment liabilities	<u><u>(23,399)</u></u>	<u><u>(12,367)</u></u>	<u><u>(35,766)</u></u>
	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2021			
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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Assets		
Total assets of reportable segments	640,675	399,808
Unallocated and other corporate assets:		
Financial assets at fair value through profit or loss	5,155	5,198
Loan receivables	2,860	248,458
Prepayments, deposits and other receivables	1,287	1,473
Bank balances and cash	1,535	3,780
	<hr/>	<hr/>
Consolidated total assets	<u>651,512</u>	<u>658,717</u>
Liabilities		
Total liabilities of reportable segments	35,766	29,137
Unallocated and other corporate liabilities:		
Accruals and other payables	45,409	46,084
Tax payable	9,360	9,360
	<hr/>	<hr/>
Consolidated total liabilities	<u>90,535</u>	<u>84,581</u>

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 of 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).

Other segment information

	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	9,050	–	–	9,050
Depreciation of right-of-use assets	262	–	–	262
Depreciation of investment property	800	–	–	800
Write-down of inventories	–	3,107	–	3,107
(Reversal of)/allowance for expected credit losses, net	<u>(3,652)</u>	<u>5,934</u>	<u>(2,766)</u>	<u>(484)</u>

	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	9,050	–	119	9,169
Depreciation of right-of-use assets	262	–	114	376
Depreciation of investment property	800	–	–	800
Loss arising from change in fair value less costs to sell of biological assets	12,103	–	–	12,103
Impairment loss of property, plant and equipment	6,898	–	–	6,898
(Reversal of)/allowance for expected credit losses, net	<u>(10,237)</u>	<u>217</u>	<u>(1,530)</u>	<u>(11,550)</u>

Revenue from major products and services

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Slaughtering and trading of pork products	65,851	56,513
Pipe system products	<u>7,096</u>	<u>24,778</u>
	<u>72,947</u>	<u>81,291</u>

Information about geographical areas

During the year, the Group was mainly operating in the PRC and Japan (2021: PRC and Japan). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
– The PRC	65,851	56,513
– Japan	<u>7,096</u>	<u>24,778</u>
	<u>72,947</u>	<u>81,291</u>

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

The Group's geographical concentration risk is mainly in the PRC and Japan, which accounted for 90% (2021: 70%) and 10% (2021: 30%) of the total revenue during the year ended 31 December 2022 respectively.

Information about major customers

For the year ended 31 December 2022, revenue generated from five (2021: three) customer(s) of the Group which has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2022 and 2021.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A from pipe system products (<i>note</i>)	–	13,872
Customer B from slaughtering and trading of pork products	11,572	9,349
Customer C from slaughtering and trading of pork products	10,512	8,638
Customer D from slaughtering and trading of pork products (<i>note</i>)	11,572	–
Customer E from slaughtering and trading of pork products (<i>note</i>)	8,297	–
Customer F from slaughtering and trading of pork products (<i>note</i>)	<u>9,798</u>	<u>–</u>

Note:

The revenue contributed by Customer A during the year ended 31 December 2022 and Customer D, Customer E and Customer F during the year ended 31 December 2021 was less than 10% of the Group's revenue.

7. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2022 and 2021 is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss on disposal of biological assets	(387)	(16,763)
Gain on termination of lease	–	39
Write-down of inventories	<u>(3,107)</u>	<u>–</u>
	<u>(3,494)</u>	<u>(16,724)</u>

8. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on:		
– Borrowings wholly repayable within five years	–	655
– Note payable	–	108
– Lease liabilities	–	16
	<u>–</u>	<u>779</u>

9. TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – Japan		
Charge for the year	–	–
Current tax – PRC		
Charge for the year	–	–
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 (“Hunan Huisheng”) (湖南惠生肉業有限公司) meets the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2022 and 2021.

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

Japan

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 December 2022 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% for the year ended 31 December 2022 (2021: 30.6%).

10. LOSS FOR THE YEAR

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Directors' emoluments:		
Directors' fee	281	357
Salaries, allowances and benefits in kind	283	647
Retirement scheme contributions	8	26
	<u>572</u>	<u>1,030</u>
Other staff costs:		
Salaries and other benefits	1,943	3,379
Retirement scheme contributions	188	161
Equity-settled share-based payment	–	1,208
	<u>2,703</u>	<u>5,778</u>
Total staff costs	<u><u>2,703</u></u>	<u><u>5,778</u></u>
Auditors' remuneration		
– Audit service	800	900
Equity-settled share-based payment in respect of consultants	–	1,208
Depreciation of property, plant and equipment	9,050	9,169
Depreciation of right-of-use assets	262	376
Depreciation of investment property	800	800
Cost of inventories recognised as expenses	68,676	73,632
Write-down of inventories	3,107	–
An analysis of the gain arising from change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised loss/(gain) on disposal of financial assets at FVPL	47	(2,725)
Unrealised (gain)/loss on financial assets at FVPL	(339)	1,949
	<u>(292)</u>	<u>(776)</u>

11. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(5,645)</u>	<u>(31,771)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>880,838</u>	<u>880,838</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB5,645,000 (2021: approximately RMB31,771,000) and the weighted average number of 880,838,000 (2021: 880,838,000) ordinary shares in issue during the year ended 31 December 2022.

Basic and diluted loss per share for the years ended 31 December 2022 and 2021 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2022 and 2021 and, therefore, be anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2022, no addition of property, plant and equipment of the Group, no impairment loss recognised and depreciation charged of approximately RMB9,050,000.

For the year ended 31 December 2021, no addition of property, plant and equipment of the Group, a recognition of impairment loss of approximately RMB6,898,000 and depreciation charged of approximately RMB9,169,000.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Held-for-trading investments:		
Equity securities listed in Hong Kong (note)	<u>5,155</u>	<u>5,198</u>

Note:

At 31 December 2022, the fair value of the listed equity securities, amounting to approximately RMB5,155,000 (2021: approximately RMB5,198,000), was determined based on the quoted market bid prices available on the Stock Exchange.

15. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	18,415	11,358
Less: Allowance for expected credit losses	<u>(7,273)</u>	<u>(144)</u>
	<u>11,142</u>	<u>11,214</u>

As at 1 January 2021, trade receivables from contract with customers (net of allowance for expected credit losses) of approximately RMB11,343,000.

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	1,513	1,871
31 to 60 days	4,146	2,169
61 to 90 days	930	5,821
Over 90 days	<u>4,553</u>	<u>1,353</u>
	<u>11,142</u>	<u>11,214</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 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.

16. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>6,556</u>	<u>3,463</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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	3,354	3,463
Over 90 days	<u>3,202</u>	<u>–</u>
	<u>6,556</u>	<u>3,463</u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

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

In the past year, the outbreak of the COVID-19 Omicron variant had spread across the PRC, which caused disruption to the economic activities. The consumer catering industry had also been significantly affected by the changing quarantine policies and control measures. The COVID-19 pandemic impacted production in pork processing plants across the PRC with effects reverberating throughout the pork supply chain. The current daily slaughter volumes were at a low level, and the consumption of pork was relatively sluggish. Looking back at the trend of national hog price, the trading price of live hogs at the beginning of 2022 continued the downward trend at the end of 2021. But the decline gradually narrowed and started to rise after bottoming out in March 2022, triggering a new round of pig cycle.

Facing the complicated market situation, the Group's management decided to remain the cautious manner on resumption of pig business to minimise the operating costs and risk. We remained adopting the price control measures by purchasing piglets from independent pig farmers for fattening purposes and sent off for slaughtering. 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 upon the customers' requirements. This measure would lead the Group in stabilising of the production costs and maximising of the Group's profit margin instead.

In November 2022, many local COVID-19 cases were found in Changde City. This crisis was last for 2-3 months, until January 2023. The city was in strict control management after being designated as high-risk area. Daily life-style and business activities were significantly affected under the lockdown policy. Also, during the past 2-3 years, the consumption pattern was changed during the self-quarantine at home. People intended to buy frozen meat food instead of fresh meat food which had adversely affected our sales in fresh meat food. That is why our sales in pork products did not meet the expected increment as compared with last year after the resumption of pork business. It is expected in the post-pandemic era, the consumption behavior will be back to traditional Chinese way, and our fresh pork product business will be back to the right track in 2023.

The change in consumption behavior, workforce availability, safety precautions requirement caused by COVID-19 pandemic had brought greater cost pressure to the Company's hog slaughtering business. To control costs and develop an industry chain has become the key to improve profitability and competitiveness. Given that the slaughtering permits of the existing slaughterhouse of the Group is still under resumption processes, the Group keeps seeking for alternative ways to resume our own slaughtering operation.

Slaughtering Business

On 30 November 2022, Hunan Huisheng Meat Products Company Limited* (“Hunan Huisheng”) (an indirect wholly-owned subsidiary of the Company) and Hunan Fengrun Agricultural Development Limited* (the “JV Partner”) entered into a joint venture agreement (the “JV Agreement”), pursuant to which the parties agreed to establish a joint venture (the “Joint Venture”) in Hunan Province, the PRC with a registered capital of RMB10 million, in which Hunan Huisheng and the JV Partner will obtain 60% and 40% equity interests of the Joint Venture respectively. The Joint Venture will be a subsidiary of the Company after the completion of the JV Agreement.

It is proposed that the Joint Venture will principally be engaged in the business of hog slaughtering and other related hog business in the PRC. The JV Partner will be responsible for, with the assistance from Hunan Huisheng, the application of slaughtering permit by the relevant government authorities. Hunan Huisheng will be responsible for the operation of the Joint Venture with a mature system and operation standards, with the objective to provide high quality service.

* *For identification purpose only*

The cooperation with the JV Partner is optimal to the Group, in one hand the JV Partner, being a state-owned enterprise, can provide resources and assistance for the application of the slaughtering permit; and on the other hand can integrate and leverage the advantages of Hunan Huisheng, especially its experience in slaughtering business and huge market network in Hunan Province. The Directors expect that the Joint Venture can obtain the slaughtering permit and commence trial run in the first half of 2023, and once it commences commercial operation may then enhance the production efficiency and lower the production cost of the Group.

Pipe System Products Business

During the year under review, the pipe system products business met a significant challenge mainly due to the uncertainty of the COVID-19 pandemic in Japan. The delay of construction progress was in turn delayed our sales orders and affected our operations in pipe system products. Our team has been communicating with the customers in order for understanding the progress of construction, securing our potential sales order and 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 2023.

Settlement of Loan Receivables

As at 31 December 2022, most of loan receivables of the Group had been fully repaid and/or settled. The funds would allow the Group to maintain a certain level of cash balances to be utilised for the hog business resumption and meet any unpredicted future funding needs. The Company plans to run down the money lending business and currently has no plan to grant any new loans in near future.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB72.9 million, representing a decrease of approximately 10.3% or RMB8.4 million as compared with approximately RMB81.3 million in 2021, while the gross profit for the year was approximately RMB1.8 million as compared to a gross profit of approximately RMB2.6 million in 2021. Such decrease was mainly due to a decrease in revenue from pipe system products business. For pork business, the revenue was increased by approximately RMB9.3 million or 16.5% to approximately RMB65.8 million in 2022. The revenue from pipelines business was decreased by approximately RMB17.7 million or 71.4% to approximately RMB7.1 million in 2022.

The selling and distribution expenses of the Group for the year ended 31 December 2022 decreased from approximately RMB87,000 to approximately RMB81,000.

For the year ended 31 December 2022, the administrative expenses of the Group were approximately RMB19.4 million, while it was approximately RMB19.4 million in 2021.

The Group has no finance cost in 2022, while it was approximately RMB0.8 million in 2021.

The loss attributable to owners of the Company in 2022 was approximately RMB5.6 million, while it was a loss of approximately RMB31.8 million in 2021. The gross profit margin of our business operations and a reversal of allowance for expected credit losses had been improved in 2022. The death and retirement of breeder hogs and porkers due to the pandemic of ASF was the key factor, which diminished to our overall performance in 2021.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2022 amounting to approximately RMB416.4 million (2021: approximately RMB131.6 million). The Group's current ratio as at 31 December 2022 was 5.1 (2021: 5.4). The total equity of the Group amounted to approximately RMB561.0 million (2021: approximately RMB574.1 million) as at 31 December 2022.

As at 31 December 2022, the Group had no outstanding borrowings (2021: nil).

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

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Euros, Japanese Yen and Hong Kong dollars for the year ended 31 December 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 31 December 2022, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2022 (2021: nil).

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was nil (2021: nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2022, the directors of the Company were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Except for the establishment of Joint Venture as mentioned under the section headed “Business Review” and “Material Acquisitions and Disposals” in this announcement, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group has no material acquisition and disposal of subsidiaries, associates or joint ventures for the year ended 31 December 2022.

On 30 November 2022, Hunan Huisheng Meat Products Company Limited* (“Hunan Huisheng”) (an indirect wholly-owned subsidiary of the Company) and Hunan Fengrun Agricultural Development Limited* (the “JV Partner”) entered into a joint venture agreement (the “JV Agreement”), pursuant to which the parties agreed to establish a joint venture (the “Joint Venture”) in Hunan Province, the PRC with a registered capital of RMB10 million, in which Hunan Huisheng and the JV Partner will obtain 60% and 40% equity interests of the Joint Venture respectively. The Joint Venture will be a subsidiary of the Company after the completion of the JV Agreement.

* *For identification purpose only*

It is proposed that the Joint Venture will principally be engaged in the business of hog slaughtering and other related hog business in the PRC.

For details, please refer to the announcement of the Company dated 30 November 2022.

SIGNIFICANT INVESTMENT

During the year, there was no other significant investment.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 21 staff and workers in Hong Kong, Japan and the PRC (2021: 26). The Group remunerates its directors based on the complexity of duties and responsibilities of each individual. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

CAPITAL STRUCTURE

As at 31 December 2022, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2022 and the date of this announcement, there are a total of 880,838,000 issued shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

The year of 2023 is a year full of hope, we have never been in a better position to end the pandemic. Although we are not there, the end is in sight. In December 2022, China ended its zero-COVID policy and announced nationwide loosening of COVID restrictions. Outlook for China and Hong Kong to combat the pandemic is encouraging and never at a better position since its outbreak three years ago.

Following the resumption of slaughtering business of the Group, the cost can be further controlled. The Company has been administering efforts in carrying out the layout of the industrial chain to improve the income of the Group.

China is the largest pork production and consumption market in the world. As an experienced pork company in the industry, the Group is gradually getting out of the haze of the pandemic and African Swine Fever, and is steadily moving towards full recovery of production capacity. The Group is continuously looking for different opportunities to strive the pork business back to right track, including (but not limited to) resumption of hog breeding and further expansion of slaughtering capacities. It is expected that, with our experience in the pork industry and network of established customers, the Group will play a more important role in the local pork supply chain and be able to capture a bigger market share in the future.

EVENTS AFTER THE YEAR END DATE

As disclosed in the section headed “Material Acquisitions and Disposals” in this announcement and the Company’s announcement dated 30 November 2022, the JV Partner was introduced by an agent named Mr. Wu Guozhu (the “Subscriber”). Upon the completion of the establishment of Joint Venture and the Joint Venture successfully obtained the operation and slaughtering permits, the Subscriber intended to use the received service fee to subscribe 42,000,000 shares of the Company (the “Subscription Share(s)”) at HK\$0.053 (the “Subscription Price”) per Subscription Share (the “Subscription”). The Joint Venture is expected to commence trial run in the first half year of 2023 and the Subscription will take place within three business days after the conditions have been fulfilled or waived (where applicable) (or such other date as the Company and the Subscriber may agree).

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2022.

MATERIAL CONTRACTS

During the year ended 31 December 2022, Hunan Huisheng (an indirect wholly-owned subsidiary of the Company) and the JV Partner entered into a JV Agreement on 30 November 2022, pursuant to which the parties agreed to establish a Joint Venture in Hunan Province, the PRC with a registered capital of RMB10 million, in which Hunan Huisheng and the JV Partner will obtain 60% and 40% equity interests of the Joint Venture respectively. The Joint Venture will be a subsidiary of the Company after the completion of the JV Agreement.

It is proposed that the Joint Venture will principally be engaged in the business of hog slaughtering and other related hog business in the PRC. The JV Partner will be responsible for, with the assistance from Hunan Huisheng, the application of slaughtering permit by the relevant government authorities.

Furthermore, on 30 November 2022, the Company and the Subscriber entered into a subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price. The Subscription Shares will be allotted and issued under the General Mandate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code during the year ended 31 December 2022.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company had complied with the Code Provisions during the year ended 31 December 2022.

CHANGE IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, changes of the information of the Directors, required to be disclosed, are set out below:

Mr. Wong Yuk Lun, Alan, currently an independent non-executive Director, has been appointed as a non-executive director of TFG International Group Limited (Stock Code:542) with effect from 3 March 2023, the issued shares of which are listed on the Stock Exchange.

Save as disclosed above, there is no other change in information regarding the Directors or chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The audit committee of the Company (the “Audit Committee”) is primarily responsible for reviewing the financial reporting process, risk management and internal control systems and monitoring the integrity of the financial statements and financial reports of the Company. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun, Alan , Dr. Wang Guiping and Mr. Huang Ruilin, with Mr. Wong Yuk Lun, Alan as its chairman.

The Audit Committee has reviewed with the management the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2022. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. The Audit Committee had also reviewed and discussed the audit, risk management, internal control and financial reporting matters of the Group, including review of the financial statements for the year ended 31 December 2022.

SCOPE OF WORK OF AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2022 have been agreed by the Group’s independent auditors, HLB Hodgson Impey Cheng Limited (“HLB”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The audited annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hsihl.com) and the Company's annual report for the year ended 31 December 2022 will be despatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

By order of the Board

HUI SHENG INTERNATIONAL HOLDINGS LIMITED

Qin Yuanling

Executive Director

Hong Kong, 31 March 2023

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.