



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 Report
2024

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 2024 with the unaudited comparative figures for the corresponding period in 2023. 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 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	31,817	42,862
Cost of sales		(33,650)	(41,144)
Gross (loss)/profit		(1,833)	1,718
Other income	3	3,506	4,699
Net gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss		282	(114)
(Allowance for)/reversal of allowance for expected credit losses, net		(3,142)	344
Selling and distribution expenses		(23)	(30)
Administrative expenses		(7,389)	(8,253)
Loss before taxation		(8,599)	(1,636)
Taxation	4	-	(3,346)
Loss for the period	5	(8,599)	(4,982)

Six months ended 30 June

2024

2023

Notes

RMB'000

RMB'000

(Unaudited)

(Unaudited)

**Other comprehensive income/(expense)
for the period:**

*Item that may be reclassified subsequently to
profit or loss:*

Exchange differences on translating foreign operations	833	(13,700)
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Other comprehensive income/(expense) for the period, net of income tax	833	(13,700)
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Total comprehensive expense for the period	(7,766)	(18,682)
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Loss for the period attributable to:

Owners of the Company	(8,551)	(4,796)
Non-controlling interests	(48)	(186)

	(8,599)	(4,982)
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**Total comprehensive (expense)/income
for the period attributable to:**

Owners of the Company	(8,490)	(18,405)
Non-controlling interests	724	(277)

	(7,766)	(18,682)
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**Loss per share attributable to owners
of the Company**

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Basic and diluted (RMB cents per share)	(0.97)	(0.54)
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The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024	As at 31 December 2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	8	59,582	62,308
Right-of-use assets	8	8,845	8,967
Financial assets at fair value through other comprehensive income		2,400	2,400
		70,827	73,675
Current assets			
Financial assets at fair value through profit or loss	9	4,917	4,541
Trade receivables	10	27,307	16,936
Loan receivables	11	-	-
Prepayments, deposits and other receivables	11	1,342	2,489
Bank balances and cash		392,343	389,836
		425,909	413,802
Current liabilities			
Trade payables	12	25,459	12,072
Accruals and other payables		60,012	58,413
Deferred revenue		25	25
Lease liabilities		2	1
		85,498	70,511

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Net current assets		340,411	343,291
Total assets less current liabilities		411,238	416,966
Non-current liabilities			
Lease liabilities		100	101
Deferred revenue		152	177
		252	278
Net assets		410,986	416,688
Equity			
Share capital	13	7,698	7,308
Reserves		406,764	413,580
Equity attributable to owners of the Company		414,462	420,888
Non-controlling interests		(3,476)	(4,200)
Total equity		410,986	416,688

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Equity attributable to owners of the Company										
	Share capital	Share premium	Exchange reserve	Statutory surplus reserve	Other reserve	Revaluation reserve	Share option reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (Audited)	7,308	445,247	4,297	43,233	16,329	(860)	2,416	45,613	563,583	(2,606)	560,977
Loss for the period	-	-	-	-	-	-	-	(4,796)	(4,796)	(186)	(4,982)
Other comprehensive expenses for the period	-	-	(13,609)	-	-	-	-	-	(13,609)	(91)	(13,700)
Total comprehensive expense for the period	-	-	(13,609)	-	-	-	-	(4,796)	(18,405)	(277)	(18,682)
As at 30 June 2023 (Unaudited)	7,308	445,247	(9,312)	43,233	16,329	(860)	2,416	40,817	545,178	(2,883)	542,295
As at 1 January 2024 (Audited)	7,308	445,247	4,214	43,233	16,329	2,416	900	(98,759)	420,888	(4,200)	416,688
Loss for the period	-	-	-	-	-	-	-	(8,551)	(8,551)	(48)	(8,599)
Other comprehensive income for the period	-	-	61	-	-	-	-	-	61	772	833
Total comprehensive expense for the period	-	-	61	-	-	-	-	(8,551)	(8,490)	724	(7,766)
Issue of shares	390	1,674	-	-	-	-	-	-	2,064	-	2,064
As at 30 June 2024 (Unaudited)	7,698	446,921	4,275	43,233	16,329	2,416	900	(107,310)	414,462	(3,476)	410,986

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	1,867	(13,718)
Investing activities		
Purchase of property, plant and equipment	(50)	–
Interest received	575	602
Net cash generated from investing activities	525	602
Net increase/(decrease) in cash and cash equivalents	2,392	(13,116)
Cash and cash equivalents at the beginning of the period	389,836	416,389
Effect of foreign exchange rate changes, net	115	(3,188)
Cash and cash equivalents at the end of the period	392,343	400,085

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2024 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 that are measured at fair value 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 2024 are consistent with those used in the annual financial statements for the year ended 31 December 2023 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 2023.

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 2023, 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 adopted 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 2024 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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:

	Slaughtering and trading of pork products RMB'000 (Unaudited)	Pipe system products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2024			
Segment revenue	31,817	–	31,817
Segment results	(4,545)	(1)	(4,546)
Net gain arising from change in fair value of financial assets at fair value through profit or loss			282
Allowance for expected credit losses, net			(160)
Unallocated corporate income			159
Unallocated corporate expenses			(4,334)
Loss before taxation			(8,599)

2. SEGMENT INFORMATION (CONTINUED)
Segment revenue and results (Continued)

	Slaughtering and trading of pork products RMB'000 (Unaudited)	Pipe system products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2023			
Segment revenue	39,656	3,206	42,862
Segment results	522	(623)	(101)
Net loss arising from change in fair value of financial assets at fair value through profit or loss			(114)
Allowance for expected credit losses, net			(65)
Unallocated corporate income			176
Unallocated corporate expenses			(1,532)
Loss before taxation			(1,636)

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

2. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	Slaughtering and trading of pork products RMB'000 (Unaudited)	Pipe system products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 30 June 2024			
Segment assets	490,219	169	490,388
Segment liabilities	(54,896)	(11,367)	(66,263)
	Slaughtering and trading of pork products RMB'000 (Audited)	Pipe system products RMB'000 (Audited)	Total RMB'000 (Audited)
At 31 December 2023			
Segment assets	480,894	153	481,047
Segment liabilities	(41,025)	(12,428)	(53,453)

2. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

Reconciliation of reportable segments' assets and liabilities:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Assets		
Total assets of reportable segments	490,388	481,047
Unallocated and other corporate assets:		
Financial assets at fair value through profit or loss	4,917	4,541
Prepayments, deposits and other receivables	1,026	1,242
Bank balances and cash	405	647
Consolidated total assets	496,736	487,477
Liabilities		
Total liabilities of reportable segments	66,263	53,453
Unallocated and other corporate liabilities:		
Accruals and other payables	19,487	17,336
Consolidated total liabilities	85,750	70,789

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, 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).

2. SEGMENT INFORMATION (CONTINUED)

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 2023: 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
– The PRC	31,817	39,656
– Japan	–	3,206
	31,817	42,862

Information about major customers

For the six months ended 30 June 2024, revenue generated from seven customers which has individually accounted for over 10% of the Group's total revenue (six months ended 30 June 2023: four). No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2024 (six months ended 30 June 2023: 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A from slaughtering and trading of pork products	3,955	6,061
Customer B from slaughtering and trading of pork products	3,808	5,457
Customer C from slaughtering and trading of pork products	3,900	5,281
Customer D from slaughtering and trading of pork products	3,760	4,567
Customer E from slaughtering and trading of pork products (note)	3,874	N/A
Customer F from slaughtering and trading of pork products (note)	5,169	N/A
Customer G from slaughtering and trading of pork products (note)	5,393	N/A

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
<i>Recognition at a point in time</i>		
Sale of pork products	31,817	39,656
Sale of pipe system products	–	3,206
	31,817	42,862

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposits	575	602
Loan receivables	159	176
Amortisation of deferred revenue	12	12
Total interest income	746	790
Dividend income from equity investment	1,261	–
Rental income	1,486	3,909
Sundry income	13	–
	3,506	4,699

4. TAXATION

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Japan		
Charge for the period	–	–
Current tax – PRC		
Charge for the period	–	–
Under provision in prior years	–	3,346
Income tax charge	–	3,346

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 Products 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.

4. TAXATION (CONTINUED)

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Loss before taxation	(8,599)	(1,636)
Tax at the applicable income tax rate	(1,805)	(1,577)
Tax effect of income not taxable for tax purpose	(837)	(1,914)
Tax effect of expenses not deductible for tax purpose	1,973	2,665
Tax effect of tax loss not recognised	669	826
Under provision in prior years	-	3,346
Income tax expense	-	3,346

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Directors' emoluments	180	145
Other staff costs:		
Salaries and other benefits	445	1,144
Retirement scheme contributions	37	54
Total staff costs	662	1,343
Depreciation of property, plant and equipment (<i>note</i>)	2,776	4,525
Depreciation of right-of-use assets	122	131
Depreciation of investment property	-	400
Cost of inventories recognised as expenses	33,031	39,981

Note: Depreciation of property, plant and equipment of approximately RMB208,000 was included in cost of sales (six months ended 30 June 2023: approximately RMB1,070,000).

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 2024 of approximately RMB8,551,000 (six months ended 30 June 2023: approximately RMB4,796,000) and the weighted average number of 884,069,000 (six months ended 30 June 2023: 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 2024 (six months ended 30 June 2023: nil).

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

During the current interim period, total additions to property, plant and equipment were approximately RMB50,000 (31 December 2023: RMB4,216,000) and no additions of right-of-use assets was recognised (31 December 2023: nil).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong (<i>note</i>)	4,917	4,541

Note:

As at 30 June 2024, the fair value of the listed equity securities, amounting to approximately RMB4,917,000 (31 December 2023: approximately RMB4,541,000), was determined based on the quoted market bid prices available on the Stock Exchange.

10. TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	42,853	30,061
Less: Allowance for expected credit losses	(15,546)	(13,125)
	27,307	16,936

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 30 days	26,989	16,804
61 to 90 days	-	132
Over 90 days	318	-
	27,307	16,936

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Balance at the beginning of the period/year	13,125	7,273
Allowance for expected credit losses recognised	3,501	6,864
Reversal of allowance for expected credit losses	(478)	(615)
Exchange realignment	(602)	(397)
Balance at the end of the period/year	15,546	13,125

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.

11. LOAN RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Loan receivables (<i>note (a)</i>)	2,674	2,621
Other prepayments, deposits and other receivables (<i>notes (b), (c) and (d)</i>)	16,373	18,396
	19,047	21,017
Less: Allowance for expected credit losses	(17,705)	(18,528)
	1,342	2,489

Notes:

- (a) As at 30 June 2024, there were loan receivables of approximately RMB2,674,000 (31 December 2023: approximately RMB2,621,000) net of allowances for expected credit losses of approximately RMB2,674,000 (31 December 2023: approximately RMB2,621,000). The loan receivables were unsecured, weighted average interest bearing at 12.0% per annum (31 December 2023: 12.0% per annum) and repayable within one year (31 December 2023: one year).
- (b) As at 30 June 2024, there was other receivable of approximately RMB6,500,000 (31 December 2023: RMB7,649,000) net of allowances for expected credit losses of approximately RMB6,345,000 (31 December 2023: RMB6,590,000).
- (c) As at 30 June 2024, there were interest receivables of approximately RMB401,000 (31 December 2023: approximately RMB236,000) net of allowances for expected credit losses of approximately RMB401,000 (31 December 2023: approximately RMB236,000).
- (d) As at 30 June 2024, there were deposit paid for inventories of approximately RMB8,269,000 (31 December 2023: approximately RMB9,096,000) net of allowances for expected credit losses of approximately RMB8,269,000 (31 December 2023: approximately RMB9,081,000).

12. TRADE PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	25,459	12,072

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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 30 days	22,724	9,074
Over 60 days	2,735	2,998
	25,459	12,072

13. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount	
		HK\$'000	RMB'000
Authorised:			
Balances as at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024 of HK\$0.01 each	1,500,000,000	15,000	11,810
Issued and fully paid:			
Balances as at 1 January 2023, 31 December 2023 and 1 January 2024 of HK\$0.01 each	880,838,000	8,808	7,308
Issue of shares <i>(note)</i>	42,000,000	420	390
Balance as at 30 June 2024 of HK\$0.01 each	922,838,000	9,228	7,698

13. SHARE CAPITAL (CONTINUED)

Note: The Company completed the subscription of new shares on 17 June 2024. For this subscription, the Company issued 42,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.053 per share. Accordingly, amount of approximately RMB390,000 are credited to share capital and the remaining proceeds (net of share issuance costs) of approximately RMB1,674,000 are credited to share premium.

14. MATERIAL RELATED PARTY TRANSACTIONS

Disclosed elsewhere in the condensed consolidated interim financial statements, the Group had entered into transactions with related parties which in the opinion of directors were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the six months ended 30 June 2024 and 2023 is set out in note 5.

15. NON-CASH TRANSACTION

During the period, the Group had been successfully obtained the slaughtering permits in People's Republic of China, pursuant to the subscription agreement dated 30 November 2022, 42,000,000 shares of the Company at HK\$0.053 per subscription share was subscribed on 17 June 2024 which served as service fee for completion of the establishment of a joint venture and successfully obtained the operation and slaughtering permits. At the date of share subscription, the Group recognised approximately RMB2,072,000 of service fee in profit or loss in the period.

16. EVENTS AFTER THE REPORTING PERIOD

No material subsequent event undertaken by the Company or by the Group after 30 June 2024 and up to the date of this report.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

This condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 August 2024.

* For identification purpose only

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.

Facing to Pig Cycle, Natural Disasters and Economic Turndown

During the reporting period, the pork market in Hunan Province of the PRC was in a situation of high demand and high supply. Both the average purchase price of hogs and the average wholesale price of pork both increased significantly. On the other hand, June was mainly characterised by heavy rainfall, which made it more difficult for slaughterhouses to buy hogs and we had to increase the prices we paid for hogs, and the wholesale price of pork also increased accordingly. Overall, the average wholesale price of pork in Hunan Province of the PRC in the first half of this year was significantly higher than in the same period last year. In this respect, the first half of this year was slightly ahead of the second half of last year.

Looking back over at the past few years, the strong trend of hog and fresh pork prices in Hunan Province was due to the influence of the macro market "pig cycle" as well as factors such as high temperatures and continuous rain. For review of the six months ended of this year, domestic demand is still weak due to the economic slowdown. In addition, the recent pig cycle has been characterised by non-market political factors, such as environmental measures, compared to the past.

The Group's management therefore continues to monitor the pork market with a view to stabilising production and operating costs and maximising the Group's profit margin.

Subscription of shares

The slaughtering permits had been successfully obtained in 2024, pursuant to the subscription agreement dated 30 November 2022, 42,000,000 shares of the Company at HK\$0.053 per subscription share (the "Subscription") was subscribed on 17 June 2024 which served as service fee for completion of the establishment of a joint venture and successfully obtained the operation and slaughtering permits. More details on the Subscription had been disclosed in the relevant announcement of the Company dated 30 November 2022.

Pipe system products

Looking back at this year's interim results, as in previous years, the Company's pipe system products business continues to be affected by the economic downturn, natural disasters, and currency deflation. The performance of the pipe system products business did not live up to expectations.

The main reason was due to the continued depreciation of the Japanese yen, which has led to a significant increase in the cost of imported pipe system products from the distributor in Germany. This has resulted in a significant increase in the financial burden associated with the sale of these products in Japan, particularly when converted into US dollars for the purchase of pipe system products. As a result, these projects and the local sales orders have been put on hold seriously affecting local supply chains and trade. We took a more conservative strategy on the pipe system products business, the business suspended during the first half year of 2024.

Financial Review

During the period under review, the Group recorded revenue of approximately RMB31.8 million, representing a decrease of approximately 25.9% or approximately RMB11.1 million as compared with the same period last year of approximately RMB42.9 million. The gross loss for the six months ended 30 June 2024 was approximately RMB1.8 million as compared to the gross profit of approximately RMB1.7 million for the same period last year. The turnaround from gross profit to gross loss was mainly due to an decrease in revenue from both businesses. For pork business, the revenue was decreased by approximately 21.6% or approximately RMB7.9 million from approximately RMB39.7 million to approximately RMB31.8 million. The revenue from pipelines business was nil (2023: RMB3.2 million).

The gross loss margin was mainly caused by the fact that the fixed costs such as depreciation charges and fixed overhead cannot be offset by sales margin during the six months ended 30 June 2024. Although the turnover decreased compared with the same period last year, compared with the second half year of 2023, the overall turnover in pork business was increased.

The selling and distribution expenses of the Group for the six months ended 30 June 2024 decreased from approximately RMB30,000 to approximately RMB23,000.

The administrative expenses of the Group for the six months ended 30 June 2024 were approximately RMB7.4 million (2023: approximately RMB8.3 million).

The loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately RMB8.6 million as compared to approximately RMB4.8 million for the corresponding period last year. The increase of loss was mainly due to (i) gross loss resulted from downturn in turnover as explained above; (ii) an increase in allowance for expected credit losses, net of approximately RMB3.4 million for the six months ended 30 June 2024 compared with reversal in prior period; and (iii) offset by the decrease in the provision of PRC Enterprise Income Tax of approximately RMB3.3 million in prior years.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 30 June 2024, the Group had bank balances and cash of approximately RMB392.3 million (31 December 2023: approximately RMB389.8 million). The Group also had net current assets of approximately RMB340.4 million as at 30 June 2024, while it was approximately RMB343.3 million as at 31 December 2023.

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 2024. 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 2024, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Gearing Ratio

As at 30 June 2024, 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 nil (31 December 2023: nil).

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 2024, 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 2024 and up to the date of this report.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (2023: nil).

Employees and Remuneration Policy

As at 30 June 2024, the Group employed 30 staff members in Hong Kong, Japan and the PRC (31 December 2023: 21). 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 new share option scheme on 30 June 2023 which enables it to grant share options to, among others, eligible participants as incentives or rewards for their contributions to the Group.

Capital Structure

During the six months ended 30 June 2024, the issued shares of the Company increased from 880,838,000 to 922,838,000.

On 17 June 2024, a total of 42,000,000 subscription shares with subscription price of HKD0.053 per subscription share were issued and allotted pursuant to the subscription agreement entered on 30 November 2022. The subscription shares served as the service fee for the established of a joint venture and application of the slaughtering permit.

Save as disclosed above, there were no other changes in the capital structure of the Company during the six months ended 30 June 2024.

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 2024.

COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

During the six months ended 30 June 2024 and up to the date of this report, 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 Yuk Lun, Alan (Note)	NOVA Group Holdings Limited ("NOVA Group"), Stock Code: 1360	Money Lending Business	Chairman, chief executive officer and executive director of NOVA Group

Note: Wong Yuk Lun, Alan resigned as an independent non-executive Director on 6 February 2024.

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

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

While the upward trend in pig prices is a positive indicator for the Group, there are still certain risks and challenges that need to be addressed. The price of pigs is also subject to fluctuations due to a number of factors, including policy changes, shifts in market supply and demand, and the impact of epidemics. These factors can have a significant impact on the evolution of pig prices.

In view of the continued rise in pig prices, it is essential for the Group to exercise sound judgement, closely monitor market developments, climate changes, and policy changes, and make timely adjustments to breeding strategies and production plans.

We are grateful to our joint venture partner for their support and assistance in enabling us to obtain the slaughter licence at the end of January this year. We are currently in the process of trial operations at the joint venture slaughterhouse to determine if it can be fully operational in the future. This will help us to improve our production efficiency, provide the market with a variety of pork products and reduce our production costs in the future.

Looking ahead, the Group is currently exploring diversified business opportunities to develop more profitable businesses and to create new revenue streams. We expect that the Group to play a more significant role in the market and to gain a larger market share in the future.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2024, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, no person (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 11 February 2014 (the “**2014 Share Option Scheme**”) was terminated with effect from 30 June 2023 and no more share options may be granted under the 2014 Share Option Scheme. All outstanding share options under the 2014 Share Option Scheme would continue to be valid and exercisable in accordance with the principal terms of the 2014 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 30 June 2023 (the “**2023 Share Option Scheme**”) reflecting the latest changes and requirements under Chapter 17 of the Listing Rules.

The total number of securities available for issue under the 2023 Share Option Scheme as at 30 June 2024 was 88,083,800 shares (31 December 2023: 88,083,800 shares) which represented approximately 9.5% (31 December 2023: approximately 10.0%) of the issued share capital of the Company.

On 28 July 2021, the Company granted a total of 88,080,000 options with the right to subscribe 88,080,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the 2014 Share Option Scheme. The closing price per share immediately before the grant of options on 28 July 2021 was HK\$0.083. A total of 88,080,000 options were granted to the employees and consultants of the Company respectively, at an exercise price of HK\$0.083 each.

The 2023 Share Option Scheme provides the grantees with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (1) to attract and retain the best quality personnel for the development of the Group's businesses;
- (2) to provide additional incentives or rewards to selected eligible participants for their contribution to the creation of the Company's value; and
- (3) to promote the long-term financial success of the Group by aligning the interest of grantees to those of the shareholders.

A summary of the principal terms of rules of the 2023 Share Option Scheme is set out in the circular of the Company dated 30 May 2023.

Details of such interests and movement of options granted by the Company are shown below:

Name	Title	Exercise price			Number of share options			Note			
					HK\$	Date of Grant	Exercise period		Outstanding	Granted	Outstanding
									as at 1 Jan 2022	during the period	as at 30 June 2022
Employees		0.083	28/07/2021	28/07/2021-27/07/2024	44,040,000	-	44,040,000	1&2			
	Sub-total:				44,040,000	-	44,040,000				
Consultants											
Lau Chi Yuen	Company Secretary	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	-	8,808,000	1			
Liu Jianhua	Pig Business – Breeding and Slaughter	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	-	8,808,000	1			
Lee Kwok Leung	Pig Business – Trading	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	-	8,808,000	1			
Ng Kwok Hung, Perry	Pig Business – Trading	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	-	8,808,000	1			
Ng Ka Lun	Pipelines Business – Trading	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	-	8,808,000	1			
	Sub-total:				44,040,000	-	44,040,000				
	TOTAL:				88,080,000	-	88,080,000				

Notes:

1. The share options granted to the grantees have no vesting period and no vesting condition.
2. Each employee holds not more than 1% of the shares of the Company.

The employees of the Company are responsible for various daily operational duties for the Group including but not limited to sales, marketing, business development and other administrative duties of the Group. The Board believes that the grant of options to employees shall provide incentives and motivates the grantees to perform their best towards the goal of the Group.

Mr. Lau Chi Yuen is the company secretary and the authorised representative of the Company. He provides company secretarial services and serves us with the updated amendments in Listing Rules and other company secretarial affairs. Ms. Liu Jianhua is the business consultant of the PRC subsidiaries specializing in pig fattening and the sanitary environment of the hog farms and slaughterhouses and is responsible for coordinating to develop branding and marketing of the pig business in the PRC. Mr. Lee Kwok Leung and Mr. Ng Kwok Hung, Perry are responsible for liaising with new potential suppliers and customers to develop the pork products trading business and also coordinating in compilation of sales plans and sales proposals. Mr. Ng Ka Lun is responsible for the development of pipelines business and also assists to explore new business partners in the region of the South East Asia. All consultants have entered into service contracts with the Company with no fixed term of service.

The Company believes that the grant of share option provides motivations for the consultants to create value for the Company. The number of share options granted to them is determined with reference to the market and the potential benefits and/or income they may bring to the Group.

No performance targets or clawback mechanism are required under the share option.

Among the above grantees, to the best of the Directors' knowledge, information and belief, none of the other grantees are overlapped or connected/related to each other.

Save as disclosed above, none of the outstanding share options were exercised or cancelled or lapsed during the period ended 30 June 2024. All the share options amounting to 88,080,000 shares would be lapsed on 27 July 2024.

Save for the share option scheme as disclosed above, at no time during the six months ended 30 June 2024 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 C3 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 six months ended 30 June 2024.

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 C1 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 2024, the Company has complied with the Code Provisions.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to the Rule 13.51B(1) of the Listing Rules, the changes in information of Directors during the six months ended 30 June 2024 and up to the date of this report are set out below:

Mr. Wong Yuk Lun Alan (“**Mr. Wong**”) has resigned as an independent non-executive Director and ceased to be the chairman of each of the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”), the nomination committee (the “**Nomination Committee**”) and the investment and treasury committee (the “**Investment and Treasury Committee**”) of the Company with effect from 6 February 2024. Mr. Wong has confirmed that there is no disagreement with the Board and there is no matter in relation to his resignation from the position that needs to be brought to the attention of the Shareholders or the Stock Exchange.

Mr. Chan Kwun Nam has been appointed as an independent non-executive Director and the chairman of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment and Treasury Committee with effect from 6 February 2024.

Save as disclosed above, there is no other change in information regarding the Directors, supervisors 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 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 2024. 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 report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Kwun Nam, Dr. Wang Guiping and Mr. Huang Ruilin, with Mr. Chan Kwun Nam as its chairman.

By order of the Board
HUI SHENG INTERNATIONAL HOLDINGS LIMITED
Qin Yuanling
Executive Director

Hong Kong, 30 August 2024