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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)**

## **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of Huisheng International Holdings Limited (the “**Company**”) announces the unaudited consolidated annual results (the “**Unaudited Annual Results**”) of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with the comparative amounts for the corresponding year in 2020. The Unaudited Annual Results have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below. For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed.

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (audited)
<b>Revenue</b>	5	<b>80,067</b>	29,663
Cost of sales		<u><b>(78,866)</b></u>	<u>(31,746)</u>
Gross profit/(loss)		<b>1,201</b>	(2,083)
Other income	5	<b>15,169</b>	22,022
Other gain or loss, net		<b>(26,756)</b>	(2,090)
Loss arising from change in fair value less costs to sell of biological assets		<b>(641)</b>	(11,612)
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss		<b>776</b>	(987)
Impairment loss of property, plant and equipment		–	(7,847)
Impairment loss of investment property		–	(459)
Reversal of/(allowance for) expected credit losses, net		<b>12,521</b>	(12,489)
Selling and distribution expenses		<b>(87)</b>	(18)
Administrative expenses		<b>(19,238)</b>	(17,343)
Finance costs		<u><b>(779)</b></u>	<u>(696)</u>
<b>Loss before taxation</b>		<b>(17,834)</b>	(33,602)
Taxation	7	<u>–</u>	<u>(3,124)</u>
<b>Loss for the year</b>		<u><b>(17,834)</b></u>	<u>(36,726)</u>

	Notes	2021 <b>RMB'000</b> (unaudited)	2020 <b>RMB'000</b> (audited)
<b>Other comprehensive income/(loss) for the year:</b>			
<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		370	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>8,284</u>	<u>(4,024)</u>
Other comprehensive income/(loss) for the year, net of income tax		<u>8,654</u>	<u>(4,024)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(9,180)</u></b>	<b><u>(40,750)</u></b>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(17,777)	(36,625)
Non-controlling interests		<u>(57)</u>	<u>(101)</u>
		<b><u>(17,834)</u></b>	<b><u>(36,726)</u></b>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		(9,140)	(40,652)
Non-controlling interests		<u>(40)</u>	<u>(98)</u>
		<b><u>(9,180)</u></b>	<b><u>(40,750)</u></b>
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted ( <i>RMB cents per share</i> )	9	<b><u>(2.02)</u></b>	<b><u>(4.16)</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>190,641</b>	199,812
Right-of-use assets		<b>9,550</b>	10,664
Investment property		<b>11,700</b>	12,500
Biological assets		<b>387</b>	26,298
Loan receivables		<b>180,489</b>	243,441
Other receivables		–	25,835
Financial assets at fair value through other comprehensive income		<b>870</b>	500
		<b>393,637</b>	519,050
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>5,198</b>	18,742
Trade receivables	<i>10</i>	<b>10,387</b>	11,343
Loan receivables		<b>75,539</b>	74,735
Prepayments, deposits and other receivables		<b>52,532</b>	62,104
Bank balances and cash		<b>131,925</b>	14,936
		<b>275,581</b>	181,860

	<i>Notes</i>	<b>2021</b> <b><i>RMB'000</i></b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (audited)
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>323</b>	3,689
Accruals and other payables		<b>67,805</b>	69,408
Borrowings		–	10,656
Note payable		–	8,390
Lease liabilities		–	469
Deferred revenue		<b>25</b>	25
Tax payable		<b>9,360</b>	9,360
		<u><b>77,513</b></u>	<u>101,997</u>
<b>Net current assets</b>		<u><b>198,068</b></u>	<u>79,863</u>
<b>Total assets less current liabilities</b>		<u><b>591,705</b></u>	<u>598,913</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>102</b>	521
Deferred revenue		<b>227</b>	252
		<u><b>329</b></u>	<u>773</u>
<b>Net assets</b>		<u><b>591,376</b></u>	<u>598,140</u>
<b>Equity</b>			
Share capital		<b>7,308</b>	7,308
Reserves		<b>580,792</b>	587,516
Equity attributable to owners of the Company		<b>588,100</b>	594,824
Non-controlling interests		<b>3,276</b>	3,316
<b>Total equity</b>		<u><b>591,376</b></u>	<u>598,140</u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 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 unaudited 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 unaudited consolidated financial statements in RMB as the functional currency of the most principal operating subsidiaries of the Group is RMB. The unaudited consolidated financial statements are presented in thousands (“**RMB’000**”), unless otherwise stated.

## 2. STATEMENT OF COMPLIANCE

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

### 3. BASIS OF PREPARATION

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

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

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

#### **Going concern assessment**

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

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

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 and the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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 unaudited consolidated financial statements.

#### **New and amendments to HKFRSs in issue but not yet effective**

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the unaudited 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 2021 and 2020 is as follows:

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
<b>Revenue from contracts with customers</b>		
<i>Recognition at a point in time</i>		
Sale of pork products	56,512	18,206
Sale of pipe system products	23,555	11,457
	<u>80,067</u>	<u>29,663</u>
	<b>2021</b> <i>RMB'000</i> (unaudited)	<b>2020</b> <i>RMB'000</i> (audited)
<b>Other income</b>		
Interest income on:		
Bank deposits	174	6
Loan receivables	7,151	14,985
Amortisation of deferred revenue	25	25
Total interest income	7,350	15,016
Rental income	7,817	6,514
Government grants ( <i>note</i> )	–	489
Sundry income	2	3
	<u>15,169</u>	<u>22,022</u>

*Note:*

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

## **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:

	<b>Slaughtering and trading of pork products <i>RMB'000</i></b>	<b>Pipe system products <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Year ended 31 December 2021 (unaudited)</b>			
Segment revenue	<u>56,512</u>	<u>23,555</u>	<u>80,067</u>
Segment results	<u>(29,154)</u>	<u>19</u>	<u>(29,135)</u>
Gain arising from change in fair value of financial assets at fair value through profit or loss			776
Reversal of expected credit losses, net			12,521
Unallocated corporate income			7,159
Unallocated corporate expenses			(8,376)
Finance costs			<u>(779)</u>
Loss before taxation			<u><u>(17,834)</u></u>

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

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated corporate income, gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss, impairment loss of property, plant and equipment, impairment loss of investment property, 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.

### Information about geographical areas

During the year ended 31 December 2021, the Group was mainly operating in the PRC and Japan (2020: PRC and Japan). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (audited)
Revenue		
– The PRC	<b>56,512</b>	18,206
– Japan	<b>23,555</b>	11,457
	<b>80,067</b>	29,663

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

The Group's geographical concentration risk is mainly in the PRC and Japan, which accounted for 71% (2020: 61%) and 29% (2020: 39%) of the total revenue during the year ended 31 December 2021.

### Information about major customers

For the year ended 31 December 2021, revenue generated from four (2020: two) 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 2021 and 2020.

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

	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (audited)
Customer A from pipe system products	<b>13,872</b>	8,873
Customer B from slaughtering and trading of pork products	<b>9,349</b>	3,064
Customer C from slaughtering and trading of pork products ( <i>note</i> )	<b>8,638</b>	–
Customer D from slaughtering and trading of pork products ( <i>note</i> )	<b>8,110</b>	–

*Note:*

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

## 7. TAXATION

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Current tax – Japan		
Charge for the year	–	4
Current tax – PRC		
Charge for the year	–	3,120
	<hr/>	<hr/>
Income tax charge	–	3,124
	<hr/> <hr/>	<hr/> <hr/>

### Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% (2020: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2020: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a flat rate of 16.5%.

### PRC

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

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

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

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

### Other Jurisdictions

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

## 8. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

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

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
<b>Loss</b>		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(17,777)</u>	<u>(36,625)</u>
	<b>2021</b> <b>'000</b>	<b>2020</b> <b>'000</b>
<b>Number of shares</b>		
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 RMB17,777,000 (2020: approximately RMB36,625,000) and the weighted average number of 880,838,000 (2020: 880,838,000) ordinary shares in issue during the year ended 31 December 2021.

Basic and diluted loss per share for the years ended 31 December 2021 and 2020 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2021 and 2020 and, therefore, be anti-dilutive.

## 10. TRADE RECEIVABLES

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Trade receivables	10,519	11,448
Less: Allowance for expected credit losses	<u>(132)</u>	<u>(105)</u>
	<u><b>10,387</b></u>	<u><b>11,343</b></u>

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

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Within 30 days	6,022	11,343
31 to 60 days	1,627	–
61 to 90 days	1,385	–
Over 90 days	<u>1,353</u>	<u>–</u>
	<u><b>10,387</b></u>	<u><b>11,343</b></u>

## 11. TRADE PAYABLES

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Trade payables	<u>323</u>	<u>3,689</u>

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

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Within 30 days	310	3,689
Over 90 days	<u>13</u>	<u>–</u>
	<u><b>323</b></u>	<u><b>3,689</b></u>



# MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

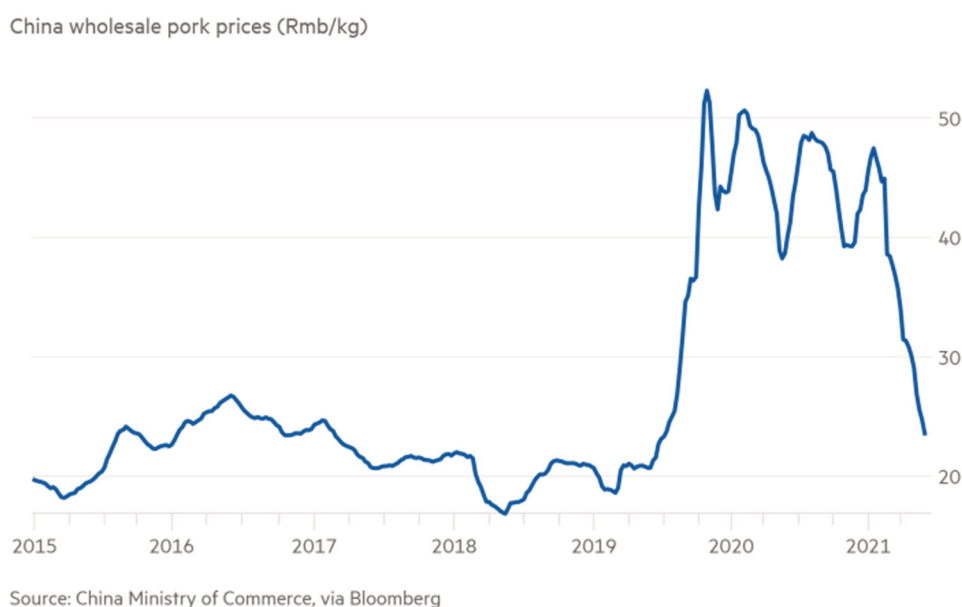
## BUSINESS REVIEW

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.

### Pig Price Volatility Due by Pig Cycle

Over the past years, the COVID-19 and African Swine Fever (“ASF”) pandemic remain attacking the worldwide economy. In the PRC, many pig farmers rush into raising pigs at the height of pork prices, and all exit the market when they lose money, so the supply and demand relationship in the pig industry is still volatile, which leads to the ‘pig cycle’.

In reality, the Group is facing that the situation had been made worse by oversupply fears affecting the pork prices continued to edge down year-on-year as supply increased and demand softened. Below is the official data illustrated the volatility of the PRC wholesale pork prices throughout 2015 to 2021.



*Note:* Source from the Financial Times Website

The PRC wholesale pork prices have dropped almost 50 per cent this year to about RMB23 per kilogram, the lowest price since 2019.

We have long history in hog products industry and still unable to avoid of this disaster, not merely facing hog illness and death, lockdown infected area, business temporary suspension etc. In fact, as the prices of feeding materials are increased significantly which resulting to an increase of the hog breeding costs higher and higher. Our hog business was eventually suffered an operating loss in the past years due to increase of hog price.

Facing the pig cycle over the years, it is a huge challenge to the Group in striving for a market share in its industry and monitoring its business risks and costs effectiveness by the management from time to time. Meanwhile, the Group's management has taken a cautious manner in exploring of any potential investment opportunities, which expects to diversify our business risks and can derive a steady income stream during the affections caused by the ASF and COVID-19.

In 2021, we have been dealing with care to resume the pork business, and our Group is still working on the full resumption of operations of our breeding farms and slaughterhouse, which had undergone reformations, including but not limited to (i) the refurbishment of the hog farms; and (ii) the setting up of a testing laboratory and the redesigning of the inspection and production procedures for the slaughterhouse.

For reducing our losses and risks caused by a sudden temporary downturn of the pork business and to sustain our routine operating cost, the Group remains cautiously adopting an interim business model in resuming part of its operations, such as (i) fattening of piglets; and (ii) sales of pork products that already re-commenced by the end of the year 2020.

Following the interim business model in 2021, the Group has adopted by purchasing piglets from independent pig farmers for fattening purposes until they fattened into hogs of approximately 110kg and will be sent off for slaughtering and sold as pork products. Also the Group has purchased ready-to-slaughtered hogs given that this is more cost-effective in low hog price and high breeding cost environment. Besides, the Group has outsourced the hog slaughtering procedures to the independent slaughterhouses, hogs sent to the slaughterhouse for slaughtering. Afterward, the Group performed the remaining carving processes, and the pork products are packed and sold directly or further processed upon the customers' requirements.

The Group is leasing out a breeding farm to an independent third party of rental income to maximize its return from assets while retaining a breeding farm and part of the slaughterhouse for its business resumption plan to strike a balance between the risk and return.

In addition, the PRC government authorities' stricter environmental requirements by controlling ASF epidemic are also raising the re-commence threshold for big pig farmers since 2020. PRC tightened regulations for pig farms under the environmental protection law, which led the Group hardly to resume operations of the hog slaughterhouse by increasing the operating costs that could meet the pollution emissions standards. The Group has to deal with more technical, high administration costs, and relatively operating methods for resuming slaughtering operations.

Nevertheless, the Group had its effort by looking for different business opportunities to strengthen the financial position of the Company and downplay the affection of the suspension of hog slaughtering and breeding business, which is the single revenue stream of the Group. Since 2019, the Group started a trial of new business in selling and distributing pipe system products and conducting the supply of technical advisory services on the design, application, implementation, and installation. After two years of tapping into the market, our pipelines business has captured a reputation in its industry of selling pipe system products and generated a stable revenue with approximately 10% to 20% gross profits. The management looks ahead to have a further expansion of its business when the Group could have more secured contracts or new funds with a more stable capital stream. The Group will continue to strive for various channels for fundraising and other business opportunities for the expansion of pipelines business. The management is in a view that the pipelines business will provide an opportunity to the Group to diversify its business and broaden the Group's revenue base as well as generate a stable gross profit, which is benefit to the Group and the interest of shareholders as a whole.

The Group will keep eyes on the pig market situation and the business prospects of the pipelines business and strike a balance between the pork business and the pipelines business, to better allocate the resources of the Group while maximizing the return to shareholders of the Company. The management will continue to seek any potential investment, which would be to diversify our business risks and maximize the Group's profit during the critical time caused by the pig market, ASF, and COVID-19.

## **FINANCIAL REVIEW**

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB80.1 million, representing an increase of approximately 169.9% or RMB50.4 million as compared with the same period of last year, while the gross profit for the year was approximately RMB1.2 million as compared to a gross loss of approximately RMB2.1 million in 2020. Such turnaround from a gross loss to gross profit was mainly due to an increase in revenue from both businesses. For pork business, the revenue was increased by approximately RMB38.3 million or 210.4% to approximately RMB56.5 million in 2021. The revenue from pipeline business was also increased by approximately RMB12.1 million or 105.6% to approximately RMB23.6 million in 2021.

The selling and distribution expenses of the Group for the year ended 31 December 2021 increased from approximately RMB18,000 to approximately RMB87,000 which was mainly due to the resume of the operations in pork business during the year.

For the year ended 31 December 2021, the administrative expenses of the Group were approximately RMB19.2 million, while it was approximately RMB17.3 million in 2020.

The Group's finance costs of the Group were approximately RMB0.8 million in 2021, while it was approximately RMB0.7 million in 2020.

Based on the unaudited annual results, as stated in this announcement, the loss attributable to owners of the Company in 2021 was approximately RMB17.8 million, while it was a loss of approximately RMB36.6 million in 2020. The reduction of loss was mainly due to (i) a decrease in impairment loss of property, plant and equipment of approximately RMB7.8 million; (ii) a reversal of expected credit losses, net of approximately RMB12.5 million; and (iii) a decrease in loss arising from change in fair value less costs to sell of biological assets of approximately RMB11.0 million, during the year ended 31 December 2021.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY**

The Group maintained cash and bank balances as at 31 December 2021 amounting to approximately RMB131.9 million (2020: approximately RMB14.9 million). The Group's current ratio as at 31 December 2021 was 3.6 (2020: 1.8). The total equity of the Group amounted to approximately RMB591.4 million (2020: approximately RMB598.1 million) as at 31 December 2021.

As at 31 December 2021, the Group had no outstanding borrowings (2020: approximately RMB19.0 million).

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

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars for the year ended 31 December 2021. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2021, 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 2021 (2020: nil).

## **GEARING RATIO**

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

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the directors of the Company were not aware of any material contingent liabilities.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed above, for the year ended 31 December 2021, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

## **SIGNIFICANT INVESTMENT**

During the year, there was no other significant investment.

## **DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group employed 26 staff and workers in Hong Kong, Japan and the PRC (2020: 29). 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 2021, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2021 and the date of this announcement, there are a total of 880,838,000 issued shares of the Company.

## **OUTLOOK AND FUTURE PROSPECTS**

Looking over the past year, the swing of “COVID-19” and ASF remains uncertain, and those two epidemics are still going to bring us unprecedented challenges and make it difficult to gauge the industry recovery pace. And there is uncertainty from oversupply fears, and domestic pork prices remain easy amid swings under the PRC government crackdown on ineffective ASF vaccines and its stricter environmental requirements for pig farmers.

The Company recommenced the pork business for the production and sale of meat food products and hog breeding since the fourth quarter of 2020 that has gradually recommenced the pig business at the end of 2020. The Group has adopted different ways to resume the slaughtering operation by trying efforts to meet the PRC authority requirements to obtain approval of the slaughtering operation and seeking any other potential investment opportunities to acquire or cooperate with other slaughterhouses to increase the pork meat products.

The COVID-19 epidemic gives rise to a challenging and uncertain economic environment in the global market. Following the launch of effective ASF and COVID-19 vaccines, the Group’s management believes that the economy of the global market will become stable, and all industries will restart gradually. We expect that our pipelines business will have steady growth in profit in the future with the support of a steady capital stream. The Company will continue to strive for the opportunities for raising funds by various channels and other potential business opportunities to open a new capital source to have long-term healthy and sustainable development of the pipelines business. On the other hand, the Company will take more care about the effect of the COVID-19 for our expansion of pipelines business to minimize the risk of operation.

Furthermore, we are aggressively overcoming the implications of rising feed costs, policy interventions, structural change, and disease epidemics on the domestic pork industry. We look forward to having a positive effect on our business and we believe that our core business will be resumed shortly caused by more people and pigs having vaccinated, and our pipelines business will have a steady increase in the future and strengthen our new income source to the Group. We will provide the latest updates for our business to all shareholders and potential investors of the Company.

## **EVENTS AFTER THE YEAR END DATE**

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

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2021 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 2021.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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



## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2021.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions (the “**Code Provision(s)**”) and certain recommended best practices contained in the Part 2 of Principle of Good Corporate Governance Code Provisions and Recommended Best Practices (the “**Corporate Governance Code**”) set out in Appendix 14 to the Main Board 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 2021.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT**

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

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed due to the implementation of the COVID-19 pandemic prevention and control quarantine measures in certain cities in the PRC and Japan, including but not limited to being unable to obtain audit confirmation letters from our certain subsidiaries' banks, customers and suppliers and complete valuation on property, plant and equipment, biological assets, expected credit loss on receivables and other items. The adjustment of impairment assessment, if any, may or may not have material impact on the Group's financial performance and positions for the year ended 31 December 2021.

The unaudited annual results contained herein have been reviewed by the Audit Committee, but have not been agreed with the Company's auditor as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing. The Company currently expects that the auditing process should be completed on or before 29 April 2022.

## **FURTHER ANNOUNCEMENT**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to: (i) the audited annual results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date of the forthcoming annual general meeting of the Company (the "2022 AGM"); and (iii) the book closure period for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2022 AGM. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

## **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](http://www.hkexnews.hk)) and the Company ([www.hsihl.com](http://www.hsihl.com)) and the Company's annual report for the year ended 31 December 2021 will be despatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

**The unaudited financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board

**HUI SHENG INTERNATIONAL HOLDINGS LIMITED**

**Chan Chi Ching**

*Executive Director*

Hong Kong, 31 March 2022

*As at the date of this announcement, the Board comprises six Directors, including two executive Directors Mr. Chan Chi Ching and Ms. Qin Yuanling and four independent non-executive Directors Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel, Mr. Wong Yuk Lun, Alan and Dr. Wang Guiping.*