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HUISHENG INTERNATIONAL HOLDINGS LIMITED

惠生國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1340)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Huisheng International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	5	68,297	72,947
Cost of sales		<u>(68,159)</u>	<u>(71,106)</u>
Gross profit		138	1,841
Other income	5	10,399	11,362
Other gain or loss, net	7	(270)	(3,494)
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss	9	(701)	292
Impairment loss of property, plant and equipment		(59,869)	–
Write-off of property, plant and equipment		(57,414)	–
(Allowance)/reversal of allowance for expected credit losses, net		(24,487)	484
Selling and distribution expenses		(53)	(81)
Administrative expenses		<u>(14,678)</u>	<u>(19,361)</u>
Loss before taxation		(146,935)	(8,957)
Taxation	8	<u>(3,347)</u>	–
Loss for the year	9	<u>(150,282)</u>	<u>(8,957)</u>

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Other comprehensive income/(expense) for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		1,760	(230)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>233</u>	<u>(3,972)</u>
Other comprehensive income/(expense) for the year, net of income tax		<u>1,993</u>	<u>(4,202)</u>
Total comprehensive expense for the year		<u>(148,289)</u>	<u>(13,159)</u>
Loss for the year attributable to:			
Owners of the Company		(144,372)	(5,645)
Non-controlling interests		<u>(5,910)</u>	<u>(3,312)</u>
		<u>(150,282)</u>	<u>(8,957)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(142,695)	(9,767)
Non-controlling interests		<u>(5,594)</u>	<u>(3,392)</u>
		<u>(148,289)</u>	<u>(13,159)</u>
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	<i>11</i>	<u>(16.39)</u>	<u>(0.64)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	12	62,308	174,693
Right-of-use assets		8,967	9,288
Investment property		–	10,900
Financial assets at fair value through other comprehensive income		2,400	640
		73,675	195,521
Current assets			
Inventories		–	2,110
Financial assets at fair value through profit or loss	13	4,541	5,155
Trade receivables	14	16,936	11,142
Loan receivables		–	2,860
Prepayments, deposits and other receivables		2,489	18,335
Bank balances and cash		389,836	416,389
		413,802	455,991
Current liabilities			
Trade payables	15	12,072	6,556
Accruals and other payables		58,413	74,290
Deferred revenue		25	25
Tax payable		–	9,360
Lease liabilities		1	–
		70,511	90,231
Net current assets		343,291	365,760
Total assets less current liabilities		416,966	561,281

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		101	102
Deferred revenue		177	202
		<u>278</u>	<u>304</u>
Net assets		<u>416,688</u>	<u>560,977</u>
Equity			
Share capital		7,308	7,308
Reserves		413,580	556,275
Equity attributable to owners of the Company		420,888	563,583
Non-controlling interests		(4,200)	(2,606)
Total equity		<u>416,688</u>	<u>560,977</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

5. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the years ended 31 December 2023 and 2022 is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers		
<i>Recognition at a point in time</i>		
Sale of pork products	65,242	65,851
Sale of pipe system products	<u>3,055</u>	<u>7,096</u>
	<u>68,297</u>	<u>72,947</u>
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Interest income on:		
Bank deposits	1,189	640
Loan receivables	<u>337</u>	<u>664</u>
Total interest income	1,526	1,304
Amortisation of deferred revenue	25	25
Rental income	8,289	7,817
Government grants (<i>note</i>)	–	1,043
Refund of Japan consumption tax	–	437
Recovery of trade receivables previously written-off	537	637
Sundry income	<u>22</u>	<u>99</u>
	<u>10,399</u>	<u>11,362</u>

Note:

During the year, no government grants were recognised in respect of subsidies and awards from local government authorities for the Group's contribution to the development of the local economies (2022: RMB987,000) and in respect of funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government (2022: RMB56,000).

6. SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

	Slaughtering and trading of pork products RMB’000	Pipe system products RMB’000	Total RMB’000
Year ended 31 December 2023			
Segment revenue	<u>65,242</u>	<u>3,055</u>	<u>68,297</u>
Segment results	<u>(121,895)</u>	<u>(18,381)</u>	<u>(140,276)</u>
Loss arising from change in fair value of financial assets at fair value through profit or loss			(701)
Allowance for expected credit losses, net			(3,033)
Unallocated corporate income			358
Unallocated corporate expenses			<u>(3,283)</u>
Loss before taxation			<u><u>(146,935)</u></u>

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

Segment results represent the profit earned by or loss from each segment without allocation of gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss, (allowance)/reversal of 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 years.

Segment assets and liabilities

	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2023			
Segment assets	<u><u>480,894</u></u>	<u><u>153</u></u>	<u><u>481,047</u></u>
Segment liabilities	<u><u>(41,025)</u></u>	<u><u>(12,428)</u></u>	<u><u>(53,453)</u></u>
	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2022			
Segment assets	<u><u>622,148</u></u>	<u><u>18,527</u></u>	<u><u>640,675</u></u>
Segment liabilities	<u><u>(23,399)</u></u>	<u><u>(12,367)</u></u>	<u><u>(35,766)</u></u>

Reconciliation of reportable segments' assets and liabilities:

	2023	2022
	RMB'000	RMB'000
Assets		
Total assets of reportable segments	481,047	640,675
Unallocated and other corporate assets:		
Financial assets at fair value through profit or loss	4,541	5,155
Loan receivables	–	2,860
Prepayments, deposits and other receivables	1,242	1,287
Bank balances and cash	647	1,535
	<u> </u>	<u> </u>
Consolidated total assets	<u>487,477</u>	<u>651,512</u>
Liabilities		
Total liabilities of reportable segments	53,453	35,766
Unallocated and other corporate liabilities:		
Accruals and other payables	17,336	45,409
Tax payable	–	9,360
	<u> </u>	<u> </u>
Consolidated total liabilities	<u>70,789</u>	<u>90,535</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated and other corporate assets (mainly comprising financial assets at fair value through profit of loss, loan receivables, prepayments, deposits and other receivables and bank balances and cash); and
- all liabilities are allocated to operating segments other than unallocated and other corporate liabilities (mainly comprising accruals and other payables and tax payable).

Other segment information

	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2023				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	9,661	-	-	9,661
Depreciation of right-of-use assets	265	-	-	265
Depreciation of investment property	400	-	-	400
Write-down of inventories	-	4,777	-	4,777
Write-off of property, plant and equipment	57,414	-	-	57,414
Impairment loss of property, plant and equipment	59,869	-	-	59,869
Allowance for expected credit losses, net	<u>8,878</u>	<u>12,576</u>	<u>3,033</u>	<u>24,487</u>
	Slaughtering and trading of pork products <i>RMB'000</i>	Pipe system products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	9,050	-	-	9,050
Depreciation of right-of-use assets	262	-	-	262
Depreciation of investment property	800	-	-	800
Write-down of inventories	-	3,107	-	3,107
(Reversal of)/allowance for expected credit losses, net	<u>(3,652)</u>	<u>5,934</u>	<u>(2,766)</u>	<u>(484)</u>

Revenue from major products and services

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Slaughtering and trading of pork products	65,242	65,851
Pipe system products	<u>3,055</u>	<u>7,096</u>
	<u>68,297</u>	<u>72,947</u>

Information about geographical areas

During the year, the Group was mainly operating in the PRC and Japan (2022: PRC and Japan). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue		
– The PRC	65,242	65,851
– Japan	<u>3,055</u>	<u>7,096</u>
	<u>68,297</u>	<u>72,947</u>

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

The Group's geographical concentration risk is mainly in the PRC and Japan, which accounted for 95.5% (2022: 90.3%) and 4.5% (2022: 9.7%) of the total revenue during the year ended 31 December 2023 respectively.

Information about major customers

For the year ended 31 December 2023, revenue generated from four (2022: five) 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 2023 and 2022.

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

	2023	2022
	RMB'000	RMB'000
Customer A from slaughtering and trading of pork products	7,653	N/A
Customer B from slaughtering and trading of pork products	7,534	N/A
Customer C from slaughtering and trading of pork products	7,620	11,572
Customer D from slaughtering and trading of pork products	6,920	10,512
Customer E from slaughtering and trading of pork products (<i>note</i>)	–	8,949
Customer F from slaughtering and trading of pork products (<i>note</i>)	–	8,297
Customer G from slaughtering and trading of pork products (<i>note</i>)	–	9,798

Note:

The revenue contributed by Customer E, Customer F and Customer G during the year ended 31 December 2023 was less than 10% of the Group's revenue.

7. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
	RMB'000	RMB'000
Loss on disposal of biological assets	(13,141)	(387)
Write-off of other payable	16,755	–
Write-off of inventories	(4,777)	(3,107)
Gain on early termination of lease	893	–
	(270)	(3,494)

8. TAXATION

	2023 RMB'000	2022 RMB'000
Current tax – Japan		
Charge for the year	–	–
Current tax – PRC		
Charge for the year	<u>3,347</u>	<u>–</u>
Income tax charge	<u><u>3,347</u></u>	<u><u>–</u></u>

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

PRC

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

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

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

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2023 and 2022.

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

Japan

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 December 2023 at the rates of taxations prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates of approximately 30.6% for the year ended 31 December 2023 (2022: 30.6%).

9. LOSS FOR THE YEAR

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

	2023 RMB'000	2022 <i>RMB'000</i>
Directors' emoluments:		
Directors' fee	601	281
Salaries, allowances and benefits in kind	46	283
Retirement scheme contributions	<u>–</u>	<u>8</u>
	647	572
Other staff costs:		
Salaries and other benefits	1,708	1,943
Retirement scheme contributions	<u>50</u>	<u>188</u>
Total staff costs	<u>2,405</u>	<u>2,703</u>
Auditors' remuneration		
– Audit service	700	800
Depreciation of property, plant and equipment	9,661	9,050
Depreciation of right-of-use assets	265	262
Depreciation of investment property	400	800
Cost of inventories recognised as expenses	65,172	68,676
Write-off of inventories	4,777	3,107
An analysis of the loss/(gain) arising from change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised loss on disposal of financial assets at FVPL	–	47
Unrealised loss/(gain) on financial assets at FVPL	<u>701</u>	<u>(339)</u>
	<u>701</u>	<u>(292)</u>

10. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(144,372)</u>	<u>(5,645)</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>880,838</u>	<u>880,838</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB144,372,000 (2022: approximately RMB5,645,000) and the weighted average number of 880,838,000 (2022: 880,838,000) ordinary shares in issue during the year ended 31 December 2023.

Basic and diluted loss per share for the years ended 31 December 2023 and 2022 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2023 and 2022 and, therefore, be anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2023, the Group incurred costs for property, plant and equipment of approximately RMB4,216,000, transfer from investment property of approximately RMB10,343,000, write-off of property, plant and equipment of approximately RMB57,414,000, an impairment loss of approximately RMB59,869,000 recognised and depreciation charged of approximately RMB9,661,000.

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Held-for-trading investments:		
Equity securities listed in Hong Kong (<i>note</i>)	<u>4,541</u>	<u>5,155</u>

Note:

At 31 December 2023, the fair value of the listed equity securities, amounting to approximately RMB4,541,000 (2022: approximately RMB5,155,000), was determined based on the quoted market bid prices available on the Stock Exchange.

14. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	30,061	18,415
<i>Less: Allowance for expected credit losses</i>	<u>(13,125)</u>	<u>(7,273)</u>
	<u>16,936</u>	<u>11,142</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	16,804	1,513
31 to 60 days	–	4,146
61 to 90 days	132	930
Over 90 days	<u>–</u>	<u>4,553</u>
	<u>16,936</u>	<u>11,142</u>

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aging analysis of the receivables which requires the use of judgement and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management of the Group on the collectability of overdue balances.

15. TRADE PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>12,072</u>	<u>6,556</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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	9,074	3,354
Over 90 days	<u>2,998</u>	<u>3,202</u>
	<u>12,072</u>	<u>6,556</u>

16. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

In early February 2024, a severe ice and snow disaster struck Hunan Province, China, causing widespread freezing rain and heavy snowfall. The Group's two breeding farms located in Taoyuan City and Changde City, both within Hunan Province, were severely impacted, resulting in significant damage and subsequently collapse the facilities. No adjustment has been made in these financial statements in this regards.

Saved as disclosed above, there are no other significant events occurred subsequent to the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Slaughtering and trading of pork products

During the year under review, the operation in the slaughtering and trading of pork products has undergone no significant change. The price of hog meat was within a range of RMB14.20 per kg to RMB17.50 per kg, affecting the Group's revenue, which dropped slightly from approximately RMB65.9 million in 2022 to RMB65.2 million in 2023. The price was closer to the same before the outbreak of African Swine Fever in 2018 ("ASF"). However, according to the turmoil of the current market, such circumstances would lead to an adverse change in consumers' purchasing power, such as a drastically dropped property market, enterprises in different kinds of industries going bankrupt, a downturn in market demand, etc. This impacted demand for consumption.

For the past few years, since the outbreak of ASF and the COVID-19 pandemic, the PRC government authorities have implemented several stringent requirements on breeding farms and slaughterhouses, such as the setting up of a testing laboratory and re-designing of inspection and production procedures. In fact, the enhancement of such implementation has not met the satisfaction of the PRC government authorities, our slaughtering business was eventually suspended. As such, the Group has taken an alternative approach by purchasing piglets from independent pig farmers for fattening purposes, then outsourcing the hog slaughtering procedures to an independent slaughterhouse in order to resume our existing operations. This change has no significant impact, while it could benefit the Group by adopting our cost control measures.

Despite the volatility of the current market or the difficulties in the sustainability of day-to-day operations, the management is of the view that open-up of a new chapter for resuming the slaughtering business would be in favour of the Group. As disclosed in the Company's announcement dated 30 November 2022, the Group succeeded in cooperating with a joint venture partner by forming a joint venture enterprise to resume the hog slaughtering business. Given that, after obtaining the operation and slaughter permits, the management expects that the production cost may be further reduced, and in return, it can optimise the Group's profit margin.

Pipe system products

During the reporting year, the Japanese economy is continuously facing significant challenges due to the uncertainties of the economic environment caused by frequent earthquakes and natural disasters, the deflation risk on currency exchange, and the release of treated radioactive water from the Fukushima plant into the Pacific Ocean. Our pipe system products business has no exception on it. In fact, construction delays have also been affecting our sales orders and services. The above challenges have also disrupted local supply chains and trade, leading to a decline in its economic growth. In this respect, our revenue from pipe system products business dropped by approximately RMB4.0 million or 56.9% as compared to the corresponding year in 2022.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB68.3 million, representing a decrease of approximately 6.4% or RMB4.7 million as compared with approximately RMB72.9 million in 2022, while the gross profit for the year was approximately RMB0.1 million as compared to a gross profit of approximately RMB1.8 million in 2022. Such decrease was mainly due to a decrease in revenue from pipe system products business. For slaughtering and trading of pork products business, the revenue was decreased by approximately RMB0.6 million or 0.9% to approximately RMB65.2 million in 2023. The revenue from pipe system products business was decreased by approximately RMB4.0 million or 56.9% to approximately RMB3.1 million in 2023.

The selling and distribution expenses of the Group for the year ended 31 December 2023 decreased from approximately RMB81,000 to approximately RMB53,000.

The administrative expenses of the Group was decreased by approximately 4.7 million or 24.2% to approximately 14.7 million in 2023.

The Group has no finance cost in 2022 and 2023.

The loss attributable to owners of the Company in 2023 was approximately RMB144.4 million, while it was a loss of approximately RMB5.6 million in 2022. The increase in loss was mainly due to the recognition of impairment loss and write-off of property, plant and equipment of approximately RMB59.9 million and RMB57.4 million respectively, and an allowance for expected credit loss of approximately RMB24.5 million in 2023.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2023 amounting to approximately RMB389.8 million (2022: approximately RMB416.4 million). The Group's current ratio as at 31 December 2023 was 5.9 (2022: 5.1). The total equity of the Group amounted to approximately RMB416.7 million as at 31 December 2023 (2022: approximately RMB561.0 million).

As at 31 December 2023, the Group had no outstanding borrowings (2022: nil).

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

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Euros, Japanese Yen and Hong Kong dollars for the year ended 31 December 2023. 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 2023, 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 2023 (2022: nil).

GEARING RATIO

As at 31 December 2023, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was nil (2022: nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2023, 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.

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 2023 (2022: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 34 staff and workers in Hong Kong, Japan and the PRC (2022: 21). 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 2023, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2023 and the date of this announcement, there are a total of 880,838,000 issued shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

Looking forward, with respect to our new joint venture operating a new slaughterhouse in near future, the Group expects that our slaughtering business will be gradually taken an important role in the Group's businesses. This will enable us to produce better quality pork products, better cost control measures and expand the best offerings to the market in the PRC. It will lead the Group to capture more of the local pork supply chain and a larger market share in the future.

The Group aims to optimise the allocation of resources and adopt cost control measures between our businesses in slaughtering and pipe system products, on the other hand, to maximise the benefits to our shareholders and the Company. Given the volatility of the global economy, especially directly affected the local economy in the PRC and Japan, we will be closely monitoring our measures in business risk and internal controls.

EVENTS AFTER THE YEAR END DATE

Reference is made to the Company's announcement dated 30 November 2022 (the "**Announcement**") in relation to the subscription of 42,000,000 new shares of the Company (the "**Subscription**") at a subscription price of HK\$0.053 each to be subscribed by an agent (the "**Subscriber**"), a third party independent of and not connected with the Company, and any of its connected persons who are not connected persons of the Company (as defined in the Listing Rules), which shall be subject to fulfilling all conditions as stated in the Announcement for the establishment of a joint venture and further successfully obtaining the operation and slaughtering permits.

On 31 January 2024, the operation and slaughtering permits have been granted to the new joint venture named 常德市西湖區惠生肉食有限公司 (Changde Xihu Huisheng Meat Products Limited*). All conditions stated in the Announcement have been fulfilled. The Subscription Shares shall be issued and allotted to the Subscriber in due course.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2023 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 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 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 year ended 31 December 2023.

* *For identification purposes only.*

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions (the “**Code Provision(s)**”) stated in the Corporate Governance Code (“**CG Code**”) as set out in Appendix 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.

The Company had complied with the Code Provisions during the year ended 31 December 2023.

CHANGE IN INFORMATION OF DIRECTORS

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

Mr. Wong Yuk Lun Alan 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.

Subsequently, Mr. Chan Kwun Nam has been appointed as an independent non-executive Director, the chairman of each of 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 or chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee has reviewed with the management the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2023. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. The Audit Committee had also reviewed and discussed the audit, risk management, internal control and financial reporting matters of the Group, including review of the financial statements for the year ended 31 December 2023.

SCOPE OF WORK OF AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2023 have been agreed by the Group's independent auditors, HLB Hodgson Impey Cheng Limited (“**HLB**”), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The audited annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hsihl.com) and the Company's annual report for the year ended 31 December 2023 will be despatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises four Directors, of which Ms. Qin Yuanling is executive Director; and Dr. Wang Guiping, Mr. Huang Ruilin and Mr. Chan Kwun Nam are independent non-executive Directors.