

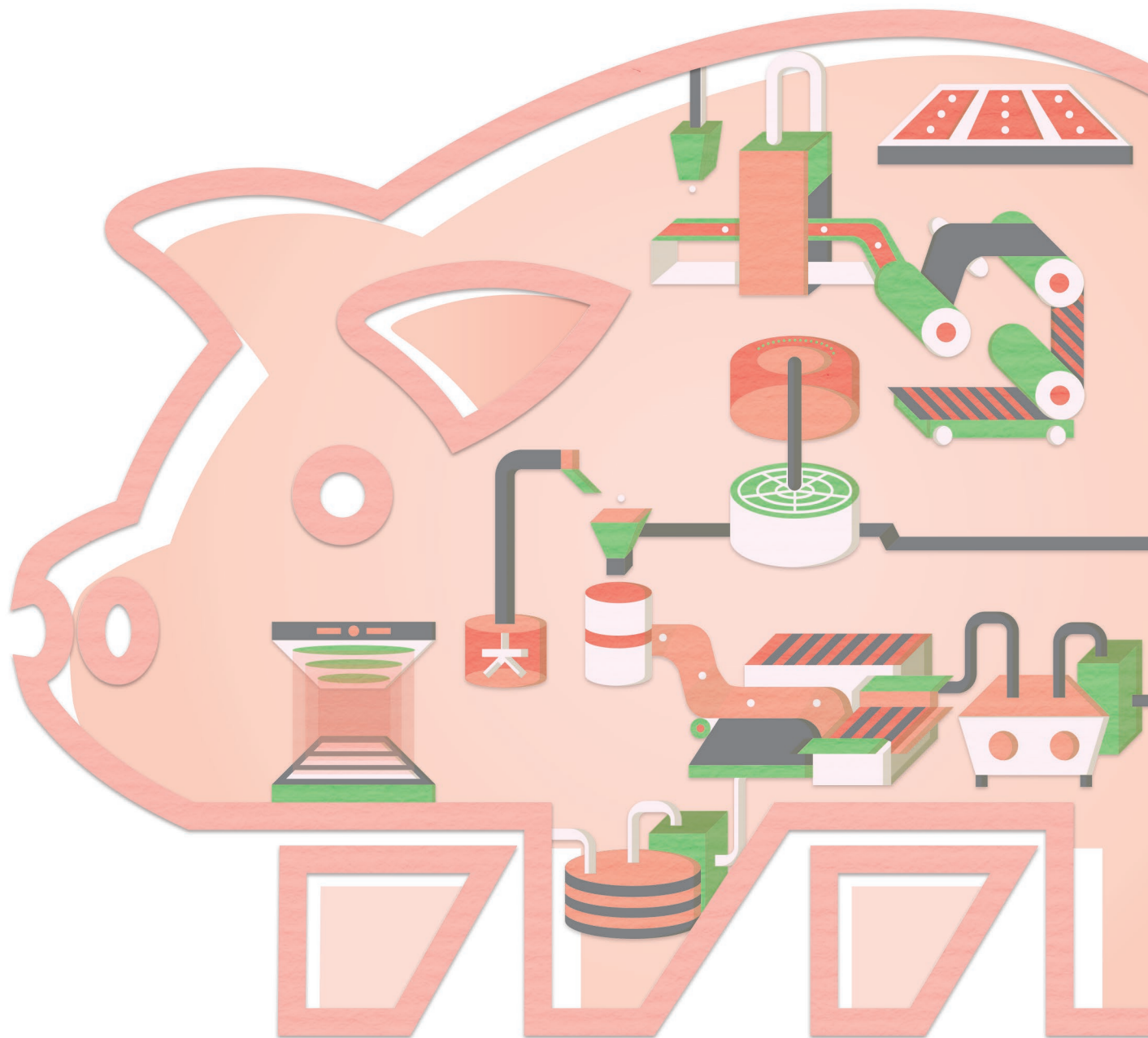


HUI SHENG INTERNATIONAL HOLDINGS LIMITED

惠生國際控股有限公司

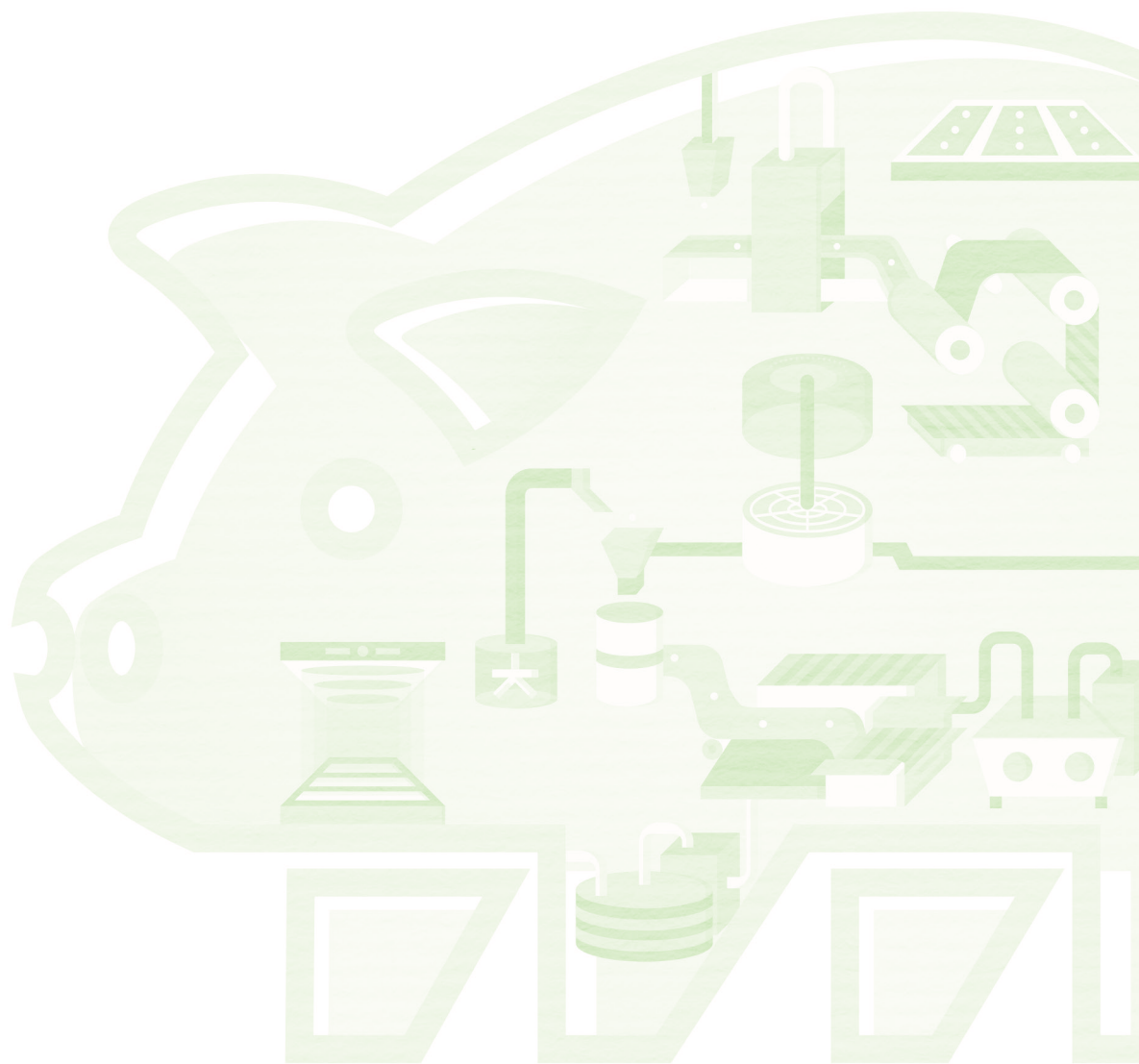
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340



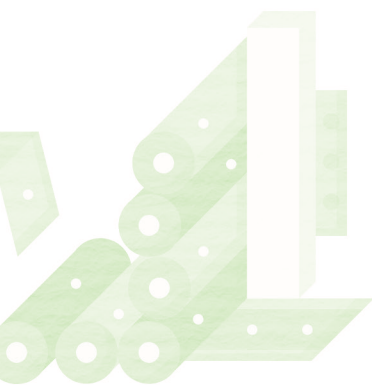
2019

ANNUAL REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Chi Ching
Mr. Suen Man Fung
Ms. Lam Ka Lee (*resigned on 6 September 2019*)
Dr. Liu Ta-pei (*resigned on 17 February 2020*)

Independent Non-executive Directors

Mr. Chan Hin Hang (*appointed on 22 March 2019*)
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan
Mr. Deng Jinping (*resigned on 22 March 2019*)

COMPANY SECRETARY

Mr. Lau Chi Yuen (*appointed on 31 May 2019*)
Ms. Lam Mei Wai Michelle (*resigned on 31 May 2019*)

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Ching
Mr. Lau Chi Yuen (*appointed on 31 May 2019*)
Ms. Lam Mei Wai Michelle (*resigned on 31 May 2019*)

AUDIT COMMITTEE

Mr. Chan Hin Hang (*Committee Chairman*) (*appointed on 22 March 2019*)
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan
Mr. Deng Jinping (*resigned on 22 March 2019*)

REMUNERATION COMMITTEE

Mr. Wong King Shiu, Daniel (*Committee Chairman*)
Mr. Chan Chi Ching
Mr. Chan Hin Hang (*appointed on 22 March 2019*)
Mr. Wong Yuk Lun, Alan

NOMINATION COMMITTEE

Mr. Chan Hin Hang (*Committee Chairman*) (*appointed on 22 March 2019*)
Mr. Chan Chi Ching
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan
Mr. Deng Jinping (*Committee Chairman*) (*resigned on 22 March 2019*)

INVESTMENT AND TREASURY COMMITTEE

Mr. Chan Hin Hang (*Committee Chairman*) (*appointed on 21 May 2019*)
Mr. Chan Chi Ching (*appointed on 21 May 2019*)
Mr. Suen Man Fung (*appointed on 21 May 2019*)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE OF THE COMPANY

www.hsihl.com

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Unit 4
Hejiaping Housing Committee
Deshan Town Economic and
Technological Development Zone
Changde City, Hunan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 8A, 8/F
Aubin House
171-172 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricolor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED PIE AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

1340



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group is engaged in the production and sale of daily consumption pork and related meat food products for domestic market as well as hog breeding and hog farming in Changde, Hunan Province, the People's Republic of China (the "PRC"). Moreover, the Group is also engaged in selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation during the late of 2019.

Last year, the African Swine Fever ("ASF") was exploded throughout the PRC. The Group has never been facing for such challenge of a difficult and catastrophic environment. On 24 October 2018, our PRC subsidiaries received the quarantine order from the Agriculture Committee of Changde City* which ordered to kill all hogs and suspended of our operations in Hunan Province, our operations were eventually affected in such circumstances.

During the year of 2019 and until now, we are taking cautious manner in performing disinfection and harmless treatment in order to prevent the ASF infection among our slaughterhouse and breeding farms. The whole operations of the production and sale of daily consumption pork and related meat food products for domestic market are still in suspension. Following on the suspension, we had taken steps for the implementation of disinfection treatment to avoid any hogs being infected again when resuming of our operations. However, the outbreak of ASF is still affecting the other countries, and especially, such outbreak has never been stopped in the PRC.

In 2019, the PRC pork industry experienced unprecedented volatility due to the spread of ASF, a severe viral disease communicable amongst domestic and wild hogs. According to the Ministry of Agriculture and Rural Affairs of the People's Republic of China (中華人民共和國農業農村部) ("MOA"), 63 cases of ASF were reported and 390 thousand heads of hogs were culled nationwide throughout the year.

In April 2020, MOA has reported that various infection cases are still exist in some provinces of the PRC and all the infected hogs were culled and even restricted the transfer of live hogs and meat products out of the restricted area, which indicate that such outbreak of that natural disaster is still severely affected to the livestock industry.

The ASF has polluted a relatively large portion of the PRC ever since its introduction into the country in August 2018. Due to the complicated ways of transmission of the epidemic while vaccines are still under research and development, the prevention and control of the ASF will be a prolonged battle.

Such outbreak would have a profound impact on our slaughtering and breeding business of live hogs which would be affected to our core business as well as the entire livestock industry in the PRC will still be suffering of those unpredictable impact. It resulted to our Pork Business that no revenue was recorded during the year ended 31 December 2019.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

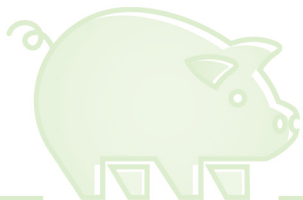
In respect to the outbreak of ASF, the directors have reviewed the Group's business model and considered that operating a sole business segment in Pork Business is susceptible to change in environment, regulatory and public health factors. The directors are of the view that there is a concentration risk of single revenue stream. Without other revenue source, the Group's business and financial performance might encounter other difficulties like current situation due to the outbreak of ASF. Therefore, the directors explored way to achieve diversification, among others, such as renting out part of our breeding farms to generate other new and stable income for sustaining and strengthening of our financials, at least cover of our administrative costs, while keeping capacities for resuming the Pork Business in the future.

In the meantime, the Group is monitoring status of the ASF as well as hog price trend in the PRC. Because there were still ASF cases reported and in addition of the outbreak of the novel coronavirus ("COVID-19"), it took time for resumption of capacity. Tightened domestic supply of piglets will be expected to persist in 2020, which in turn the high piglet price due to limited supply of piglets.

The Company considers that the risk to resume breeding of hog at this moment is still high due to following reasons: (i) If the Company resumes breeding of hogs at this moment, there might be a chance for all new hogs in the breeding farms would have been re-infected, eventually will incur a huge loss. (ii) There might be loss as a result of high piglet cost at this moment and potential drop in pork price after breeding time of around nine months, in view of volatile price movement of pork. At such, the Company intends to closely monitor the price trend and development of ASF and will conduct the plan for resuming breeding of hog in a cautious manner.

To make things worse, the COVID-19 epidemic (the "Coronavirus") erupted in mid of January 2020, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Coronavirus, including imposing restriction on the mobility of citizen and the resumption date of production after the Chinese New Year Holidays. Due to the suspension or limited service of transportation facilities in various cities in the PRC to prevent the spread of the Coronavirus, certain workers in the affected provinces and municipalities are unable to resume work. Therefore, the Group expects that there will be a further delay on the resumption of our Pork Business.

Because of the natural disaster of ASF, the Pork Business had no alternative but enforced to be suspended since late of 2018 and this situation could not be avoided but only to suffer by the Group, which eventually has seriously affected the operation of Pork Business and leading to the outcome of zero revenue of Pork Business during the year of 2019. Misfortunes never come along, another natural disaster of Coronavirus was erupted in mid of January 2020 in the PRC and finally erupted throughout the world, which inevitably further delay the schedule of resumption of Pork Business. Facing these two natural disasters, the management of the Group has to take serious measure in coping with these unprecedented global difficulties and at no choice to explore more potential business opportunities.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Despite of the difficulties the management had taken a few moves in order to improve our current financial position and performance, during the late of 2019, we commenced a new business in selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation (the “New Business”). Such New Business had recorded a revenue of approximately RMB5.7 million during the year ended 31 December 2019. The Group not only had a good start of the New Business but also obtained a distribution right for the sale of pipe system products in Japan and Singapore in March 2020. The management will actively take cautious approach in assessing and monitoring the performance of the New Business and expects that the New Business would enhance our new income source in the future. In fact, it can diversify our business concentration risk and reduce of the risk when facing of any new challenge. This would strengthen our new income stream as well as to maximise the shareholder’s value as a whole. The management will continue to seek any potential investment/business opportunities, which would be in order to further diversify of our business risks.

In order to minimise of our risks for facing of a sudden temporary downturn of the Pork Business and to sustain our routine operating cost, in March 2020, the management of the Group has moved steps for leasing part of our slaughterhouse and breeding farm to an independent party for a term of 5 years, at a monthly rent of RMB760,000. Such that the Group would therefore generate a stable income source which can assure that we can have positive cash flow to sustain and strengthen our financial situation, while keeping capacities for resuming the Port Business in the future.

During the year, the Company disposed of its entire equity interest in a wholly-owned subsidiary, Simple Rise Inc. (“Simple Rise”). Simple Rise and its wholly owned subsidiary own investment properties for renting purposes (the “Disposal”). The consideration for such Disposal was HK\$19.5 million (equivalent to approximately RMB17.5 million) and recognised a disposal gain of approximately RMB1.2 million during the year ended 31 December 2019. Details of the Disposal was set out in the Company’s announcement dated 11 March 2019 and 6 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In December 2016, the Company conducted a fundraising activity for raising of approximately HK\$144.75 million, before expenses, by way of the issuance of 289,490,000 rights shares at a subscription price of HK\$0.50 per rights share (the "Rights Issue"). The Rights Issue was completed in February 2017. The gross proceeds and the net proceeds of the Right Issue were approximately HK\$144.75 million and HK\$140.53 million respectively. Details of the Rights Issue are set out in the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus of the Company dated 9 January 2017.

During the year ended 31 December 2019, the intended use of proceeds of the Rights Issue was fully utilised and the details are as follows:

Net proceeds raised (Approximately)		Intended use of proceeds	Actual use of proceeds (Approximately)
HK\$87.82 million		For repayment of the borrowings of the Group	Fully used as intended
HK\$52.71 million	HK\$8.67 million	For payment of finance cost	Fully used as intended
	HK\$3.24 million	For payment of legal and professional fee	Fully used as intended
	HK\$2.45 million	For payment of staff and related cost	Fully used as intended
	HK\$0.82 million	For payment of rental and office expenses	Fully used as intended
	HK\$2.40 million	For payment of other administrative expenses	Fully used as intended
	HK\$35.13 million	For future business opportunities	Fully used as intended

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB5.7 million, representing a decrease of approximately 98.5% as compared with the same period of last year. The reduction was mainly due to the outbreak of ASF in the PRC, which affected the operations in Pork Business was still suspending and no revenue generated during the year. However, the Group recorded revenue from the New Business of approximately RMB5.7 million during the year with an average gross profit margin of approximately 1.5%, while the operations in Pork Business was an average gross loss margin of approximately 1.9% in 2018.

During the late of 2019, the Group has generated revenue from New Business of approximately RMB5.7 million with minimal profit. At the beginning stage of New Business, the Directors are of the view that even though the monetary sum of the pilot sales was not significant but this signifies the successful outcome of the effort of our management and Japanese team in stepping in the new segment of pipe system products and clearing the legal and logistics route of importing pipe system products, and eventually the Group was recognised as official sale distributor and granted a distribution right for the sale of pipe system products in Japan and Singapore in March 2020.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The selling and distribution expenses of the Group for the year ended 31 December 2019 decreased from approximately RMB6.3 million to approximately RMBnil which was mainly due to the suspension of the operations in Pork Business during the year.

For the year ended 31 December 2019, the administrative expenses of the Group were approximately RMB22.0 million, while it was approximately RMB58.3 million in 2018. Such reduction was in line with the suspension of the operations in Pork Business.

The Group's finance costs were approximately RMB1.3 million in 2019, while it was approximately RMB8.3 million in 2018.

Loss attributable to owners of the Company in 2019 was approximately RMB191.6 million, while it was a loss of approximately RMB343.0 million in 2018. The reduction of loss was mainly due to (i) a decrease in impairment loss of property, plant and equipment of approximately RMB113.0 million; (ii) a decrease in net loss arising from change in fair value of financial assets at FVPL of approximately RMB13.0 million; and (iii) a decrease in administrative expenses of approximately RMB36.3 million, during the year ended 31 December 2019.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2019 amounting to approximately RMB3.5 million (2018: approximately RMB8.2 million). The Group's current ratio as at 31 December 2019 was 2.1 (2018: 1.7). The total equity of the Group amounted to approximately RMB638.9 million (2018: approximately RMB834.7 million) as at 31 December 2019.

As at 31 December 2019, the Group had an outstanding borrowings with an amount of approximately RMB8.9 million (2018: approximately RMB22.7 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 2019. 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 2019, 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 2019 (2018: nil).

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 1.4% (2018: approximately 2.7%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE EXPOSURE

Since almost all 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 2019, the directors of the Company were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed above, for the year ended 31 December 2019, 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 2019 (2018: nil).

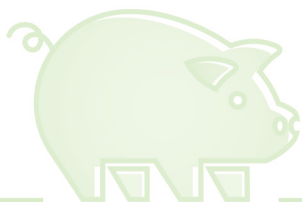
EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 42 staff and workers in Hong Kong, Japan and the PRC (2018: 245). 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 2019, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2019 and the date of this announcement, there are a total of 880,838,000 issued shares of the Company.



OUTLOOK

Looking forward, we are expecting 2020 will continue to be a challenging year. The adverse impact on the Coronavirus and the epidemic of ASF remains uncertain, and makes it difficult to gauge on the industry recovery pace.

We will continuously, by utilising our gained experience in this industry, adopt a cautious approach to exploring any potential investment/business opportunities with respect to pork or related meat food industry, which can enhance our income source and further diversify of our business risks. Meanwhile, the management is closely monitoring the market situation and continuously evaluating the impact of the Coronavirus and the epidemic of ASF to the Group's operations, and will make adjustments to the Group's business plan and operations, if necessary, so as to minimise any impact on the Group. The operations of pork business is expected to resume in the second half of 2020 or any later possible date. Once materialised, we will keep our update developments to our shareholders as and when appropriate.

Apart from the above, in considering to minimise and diversify of our risks concerned, we expect that our New Business will have a steady increase in future so as to generate a new income source to the Group, and further improve of our operating cash flow.

EVENTS AFTER THE YEAR END DATE

- (1) With effect from 17 February 2020, Dr. Liu Ta-pei has resigned as an executive director of the Company. Details of his resignation are set out in the Company's announcement dated 17 February 2020.
- (2) Following to our New Business commenced during the late of 2019, in March 2020, a German company, as the licensor who specializes in manufacturing, marketing and selling of flexible walled pipe systems, granted to an indirect non-wholly owned subsidiary of the Company, as the licensee (the "Operating Company") a distribution right whereas the Operating Company has the right on selling and distributing the pipe system products in Japan and Singapore. The powerful advantages of such walled pipe system are because of its interior pipe is made from corrugated stainless steel with an outer corrosion protection for use in industry application, constructions and internet & data infrastructure.
- (3) Since January 2020, the outbreak on Coronavirus has impacted the global business environment. Up to the date of this announcement, Coronavirus has not resulted in material impact to the Group. Pending the development and spread of Coronavirus subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will continue to monitor the development of Coronavirus 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 2019 and up to the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Chi Ching (陳始正), aged 41, was appointed as an executive Director on 7 June 2016. He has also been appointed as one of the authorised representative of the Company, a member of the Nomination Committee and the Remuneration Committee since 24 November 2016, and a member of the Investment and Treasury Committee since 21 May 2019. He is also a director of various subsidiaries of the Group. Mr. Chan has extensive experience and network in media and public relations industries. He had more than 10 years of experience in editorial and management in Apple Daily Limited, a major media in Hong Kong. He is currently a director of a financial public relation firm.

Mr. Suen Man Fung (孫文峯), aged 33, was appointed as an executive Director on 17 July 2018 and a member of the Investment and Treasury Committee since 21 May 2020. Mr. Suen holds a Bachelor of Science in Mathematics from The Hong Kong University of Science and Technology in 2011. Mr. Suen has broad working experience in property management as well as financial investment industries. He is currently working in a managerial role in a financial institution in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Hin Hang (陳衍行), aged 33, was appointed as an independent non-executive Director on 22 March 2019. He is also the chairman of the Audit Committee, the Nomination Committee, the Investment and Treasury Committee and a member of the Remuneration Committee. Mr. Chan holds a Bachelor Degree in Business (Banking and Finance) from the Queensland University of Technology. Mr. Chan worked at Deloitte Touche Tohmatsu from September 2010 to June 2015 and he is also a member of CPA Australia. Mr. Chan has over 7 years of accounting experience.

Mr. Chan is currently a company secretary of Sau San Tong Holding Limited (Stock Code: 8200, a listed company on GEM of the Stock Exchange) and an independent non-executive director of China Demeter Financial investments Limited (Stock Code: 8120, a listed company on GEM of the Stock Exchange). Mr. Chan was also an independent non-executive director of Millennium Pacific Group Holdings Limited (Stock Code: 8147, a listed company on GEM of the Stock Exchange) from 17 July 2017 to 31 July 2018.

Mr. Wong King Shiu, Daniel (黃景兆), aged 60, was appointed as an independent non-executive Director on 7 June 2016. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Wong has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He is currently a chairman, chief executive officer and an executive director of China Information Technology Development Limited (Stock Code: 8178, a listed company on GEM of the Stock Exchange). He had been an executive director and an authorised representative of China Baoli Technologies Holdings Limited (Stock Code: 164, a listed company on the main board of the Stock Exchange) from 13 January 2012 to 3 October 2019.

Mr. Wong Yuk Lun, Alan, aged 45, was appointed as an independent non-executive Director on 6 July 2017. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Wong holds a bachelor's degree in Accounting and Finance from University of Sunderland. Mr. Wong had been working with various accounting firms and commercial companies and has over 20 years' experience in merger and acquisitions, financial management, taxation, audit and non-audit services.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wong is currently an independent non-executive director of TUS International Limited (stock code: 872) and Deson Construction International Holdings Limited (stock code: 8268). Mr. Wong has also been appointed as an independent non-executive director of Temir Group (stock code: TMRR) since 15 July 2019, the issued shares of which are traded on the OTC Securities Marketplace in the United States of America. Mr. Wong was an independent non-executive director of Bolina Holding Co., Ltd. (stock code: 1190) from 7 July 2016 to 27 March 2017 and Tech Pro Technology Development Limited (stock code: 3823) from 24 May 2019 to 2 March 2020, the issued shares of both companies are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Zhou Zhenghua (周正華), aged 57, has been the production manager of Hunan Huisheng since December 2007. Prior to joining the Group, Mr. Zhou commenced his business of hog slaughtering in 1983, and founded the hog slaughterhouse in Hucheng Zaoguo District of Changde* (常德護城皂果生豬定點屠宰場) in 1998. Mr. Zhou joined the hog slaughterhouse in Wuling District of Changde* (常德武陵區生豬機械化定點屠宰廠) in December 2003 as the head of slaughtering. Mr. Zhou was qualified as slaughtering and processing technician (屠宰加工技術人員) in the PRC in September 2010.

Mr. Zhang Jianlong (張建龍), aged 63, has been the assistant to the general manager of Hunan Huisheng since November 2007. Prior to joining the Group, Mr. Zhang worked as an accountant at Sanyanggang Town of Taoyuan County* (桃源縣三陽崗鎮), engaged in project management for Changde Construction from 2001 to 2002, and acted as the deputy general manager of Jinda Concrete from 2002 to 2007.

* Unofficial transliteration from its Chinese name for identification purposes only

COMPANY SECRETARY

Mr. Lau Chi Yuen (劉智遠), Mr. Lau, aged 44, was appointed as the company secretary and the authorised representative of the Company on 31 May 2019. Mr. Lau does not act as an employee of the Group, but as an external service provider. Mr. Lau had served as company secretary in companies listed in Hong Kong. Mr. Lau has extensive experience in company secretarial services, corporate finance, merger and acquisition, investor relationship and corporate governance aspects. Mr. Lau obtained a Master of Professional Accounting degree from the Southern Cross University in September 2004. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants since July 2008.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC, selling and distributing of pipe system products, conducting in the provision of technical advisory services on the design, application, implementation and installation. The principal activities and other particulars of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

The Group's revenue for the year is principally attributable to the sale of pork products to customers, selling and distributing of pipe system products, conducting in the provision of technical advisory services on the design, application, implementation and installation. An analysis of the revenue from the principal activities during the year is set out in the section headed "Management Discussion and Analysis" in this annual report and note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Further discussion and analysis of the Company's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 3 to 9. Such discussion forms part of this "Report of the Directors".

CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTABLE RESERVES

The loss of the Group for the year ended 31 December 2019 and the state of affairs of the Group and the Company as at that date are set out in the consolidated financial statements on pages 43, 45 and 129 respectively.

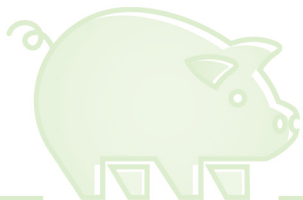
Details of the distributable reserves of the Group and the Company for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity and note 32 to the consolidated financial statements respectively. As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMBnil (2018: approximately RMB389,621,000).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2019, no addition for property, plant and equipment (2018: RMB57,000).



SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles") although there are no restrictions against such rights under the law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the Shares.

RETIREMENT SCHEMES

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employees' contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

BORROWINGS AND NOTE PAYABLE

Particulars of borrowings and note payable of the Group as at 31 December 2019 are set out in note 26 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the financial year are as follows:

	Percentage of the Group's total	
	revenue	purchases
The largest customer	100%	N/A
The five largest customers in aggregate	100%	N/A
The largest supplier	N/A	100%
The five largest suppliers in aggregate	N/A	100%

So far as the Board are aware, neither the Directors, their close associates nor any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 135 and 136 of this annual report.

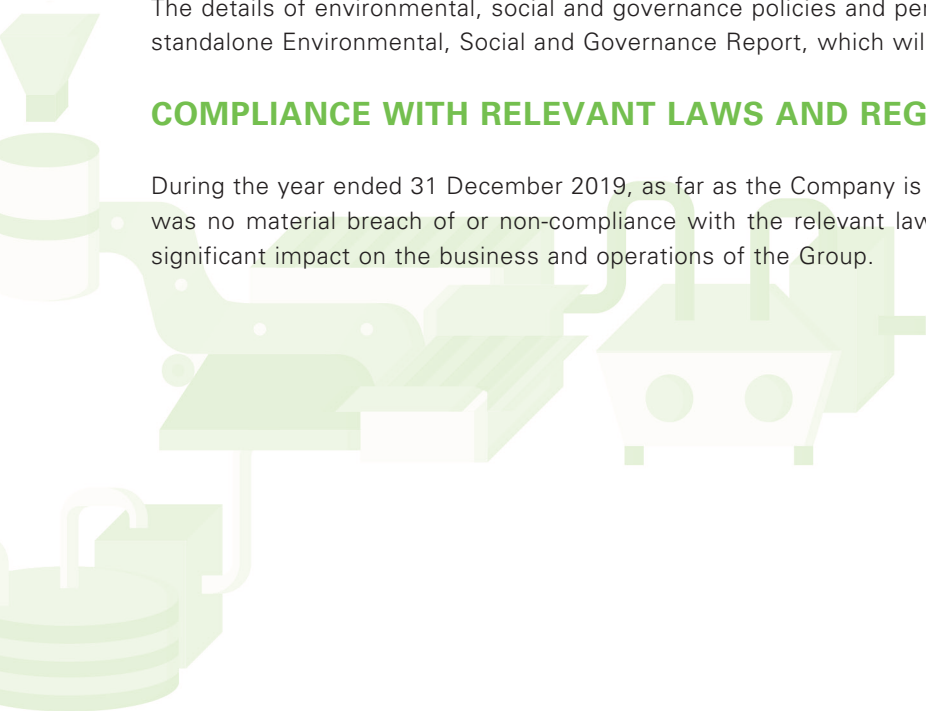
ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. We have installed waste treatment facilities at our breeding farms and production base. We have adopted internal control procedures in relation to waste treatment at our breeding farms and production base, such as the processing of hog faeces into fertilisers and the biological treatment of sewage.

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be issued before the end of July 2020.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019, as far as the Company is aware, save as disclosed in this report, there was no material breach of or non-compliance with the relevant laws and regulations by the Group that have a significant impact on the business and operations of the Group.





KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be a responsible employer for committed employees. The Group strives to motivate its employees with a clear career path and provide opportunities for advancement and improvement of their skills.

(ii) Suppliers

The Group has developed long-standing relationships with a number of suppliers and has taken great care to ensure that they share its commitment as to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including experience, reputation and quality control effectiveness.

(iii) Customers

The Group is committed to offer quality products to its customers and keep them informed of its latest business developments.

During the year ended 31 December 2019, there was no significant dispute between the Group and its employees, suppliers and customers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Chan Chi Ching

Mr. Suen Man Fung

Ms. Lam Ka Lee (*Resigned on 6 September 2019*)

Dr. Liu Ta-pei (*Resigned on 17 February 2020*)

Independent non-executive Directors

Mr. Wong King Shiu, Daniel

Mr. Wong Yuk Lun, Alan

Mr. Chan Hin Hang (*Appointed on 22 March 2019*)

Mr. Deng Jinping (*Resigned on 22 March 2019*)

In accordance with articles 83(3) and 84 of the Articles, the following Directors, namely, Mr. Chan Chi Ching and Mr. Wong King Shiu, Daniel will retire from the Board at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The initial term of each executive Director under their respective service contracts is three years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of serving such notice. The aggregate amount of discretionary management bonuses payable to the Directors in respect of any financial year shall be subject to the approval by the Company's shareholders (the "Shareholders") in general meeting and shall not exceed five percent of the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) of the same financial year.

Each of Mr. Wong King Shiu, Daniel, Mr. Wong Yuk Lun, Alan and Mr. Chan Hin Hang, has been appointed pursuant to a letter of appointment for a term of three years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, unless terminated by not less than three months notice in writing served by either party.

Save for their remuneration, none of the independent non-executive Directors is expected to receive any other emoluments for holding their office as an independent non-executive Director.

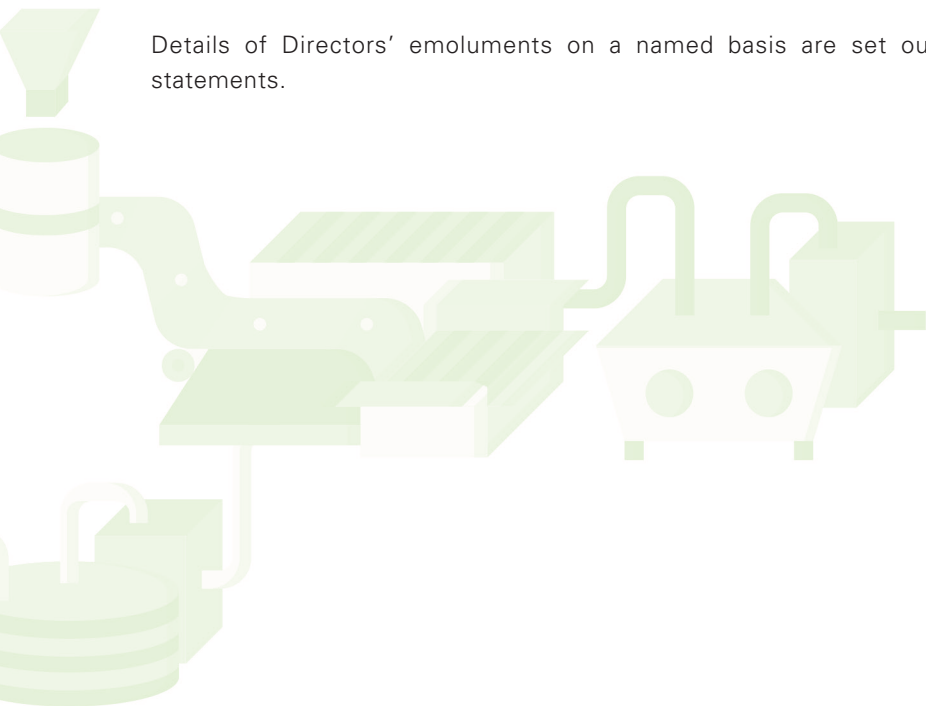
None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director a written confirmation of independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments on a named basis are set out in note 12 to the consolidated financial statements.





REMUNERATION OF SENIOR MANAGEMENT

The number of senior management whose remuneration fell within the following band is as follows:

	2019	2018
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	—	—
	2	2

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 11 February 2014 (“Share Option Scheme”). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the Directors of the Company, as incentives or rewards for their contributions to the Group.

On 10 April 2017, the Company granted a total of 40,000,000 options with the rights to subscribe 40,000,000 ordinary Shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. The closing price per share immediately before the grant of options on 10 April 2017 was HK\$0.51. A total of 5,000,000 options were granted to a Director.

On 17 July 2018, the Company granted a total of 45,788,000 options with the rights to subscribe 45,788,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. The closing price per share immediately before the grant of options on 17 July 2018 was HK\$0.203. A total of 3,684,000 options were granted to a Director at an exercise price of HK\$0.207. The remaining 42,104,000 options of which 21,052,000 options and 21,052,000 options were granted to the employees and consultants of the Company respectively, at an exercise price of HK\$0.207 each.

REPORT OF THE DIRECTORS (CONTINUED)

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

Name of Grantees	Position held with the Company	Date of Grant	Exercise Period	Number of share options		Exercise price per share
				Outstanding as at 1 January 2019	Outstanding as at 31 December 2019	
Director						
Chan Chi Ching	Executive Director	10 April 2017	10 April 2017 to 9 April 2027	5,000,000	5,000,000	HK\$0.510
		17 July 2018	17 July 2018 to 16 July 2028	3,684,000	3,684,000	HK\$0.207
				8,684,000	8,684,000	
Other Eligible participants						
Employees		10 April 2017	10 April 2017 to 9 April 2027	5,000,000	5,000,000	HK\$0.510
		17 July 2018	17 July 2018 to 16 July 2028	21,052,000	21,052,000	HK\$0.207
				26,052,000	26,052,000	
Consultants		10 April 2017	10 April 2017 to 9 April 2027	30,000,000	30,000,000	HK\$0.510
		17 July 2018	17 July 2018 to 16 July 2028	8,684,000	8,684,000	HK\$0.207
				38,684,000	38,684,000	
Total				73,420,000	73,420,000	

Save as disclosed above, none of the outstanding options were exercised, cancelled or lapsed during the year ended 31 December 2019.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2019 was 88,083,800 shares which represented 10.0% of the issued share capital of the Company.

Save for the Share Option Scheme as disclosed above, at no time during the year 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.





DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company 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 (the "SFO") which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Long Position in Ordinary Shares of the Company

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of shareholding <i>(note)</i>
Chan Chi Ching	Beneficial Owner	8,684,000 (Underlying Shares)	0.99%

Note:

The percentage is calculated based on the total number of ordinary Shares of the Company in issue as at 31 December 2019, which was 880,838,000.

Save as disclosed above, as at 31 December 2019, 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 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 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 31 December 2019, 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.

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 under review or any time during the year.

REPORT OF THE DIRECTORS (CONTINUED)

COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

During the year ended 31 December 2019 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 King Shiu, Daniel	China Information Technology Development Limited ("China Information"), Stock Code: 8178	Money Lending Business	Chairman, Chief executive officer and executive director of China Information

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 arm's length transactions, from the business of the above company.

During the year ended 31 December 2019 and up to the date of this report, 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.

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 2019.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2019 are disclosed in note 37 to the consolidated financial statements. Save as disclosed in this report, there were no other connected transactions or non-exempted continuing connected transactions under the Listing Rules as at the date of this report.

EVENTS AFTER THE YEAR-END DATE

Details of the events after the year-end date are set out on page 9 of the "Management Discussion and Analysis" of this report.

AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditors of the Company.

On behalf of the Board

Chan Chi Ching
Executive Director

Hong Kong, 5 June 2020



CORPORATE GOVERNANCE REPORT

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

The Company had complied with the Code Provisions during the year ended 31 December 2019 except for the following:

Code Provision A.6.7

Code Provision A.6.7 stipulates that the independent non-executive Directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

There are three independent non-executive directors of the Company, Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan. Mr. Chan Hin Hang and Mr. Wong King Shiu, Daniel are unable to attend annual general meeting on 28 June 2019 due to their engagement with their other commitments.

THE BOARD OF DIRECTORS

The Board is responsible for managing the Company on behalf of the shareholders of the Company. The Board is of the view that it is the Directors’ responsibilities to create value for Shareholders and safeguard the best interests of the Company and the Shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

The Board currently comprises five Directors, including two executive Directors, Mr. Chan Chi Ching and Mr. Suen Man Fung, and three independent non-executive Directors, Mr. Wong Yuk Lun, Alan, Mr. Wong King Shiu, Daniel and Mr. Chan Hin Hang, in compliance with the requirement of Listing Rules which states that every board of Directors of an issuer must include at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The list of Directors during the year and up to the date of this report is set out on page 15 and the biographical details of the Directors and relevant relationships among them (if any) are set out on pages 10 to 11 of this report. Save as disclosed therein, there is no financial, business, family or other material or relevant relationship among the Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- overseeing the corporate governance functions of the Company and being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other inside information announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;
- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;
- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and
- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

During their terms of office, the Directors all carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the relevant company laws of the Cayman Islands and Hong Kong, the Articles of association and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company's operations, oversaw the corporate governance of the Company, pressed for the improvement of the governance standard of the Company and exerted the decision-making function of the Board in its full swing.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently, the Company does not have the role of chairman and chief executive officer. The chief executive officer's duties have then been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board. The Company will use its best endeavour in finding a suitable candidate to assume the duties as Chairman when appropriate.



NON-EXECUTIVE DIRECTORS

The Board considers the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and the Shareholders.

The terms of appointment of each of the independent non-executive Directors are set out on page 16 of this report. None of the independent non-executive Directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of the independent non-executive Directors is interested in any shares of the Company.

The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

COMMITMENTS

The full Board should meet at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of the independent non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person.

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2019, seventeenth Board meetings and one general meeting were held and the attendance records of the Directors are set out below:

	Attendance/ Number of general meeting	Attendance/ Number of board meetings
Executive Director		
Mr. Chan Chi Ching	1/1	17/17
Dr. Liu Ta-pei (<i>Resigned on 17 February 2020</i>)	0/1	17/17
Ms. Lam Ka Lee (<i>Resigned on 6 September 2019</i>)	0/1	13/13
Mr. Suen Man Fung	0/1	17/17
Independent non-executive Director		
Mr. Wong King Shiu, Daniel	0/1	17/17
Mr. Wong Yuk Lun, Alan	1/1	17/17
Mr. Chan Hin Hang (<i>Appointed on 22 March 2019</i>)	0/1	12/12
Mr. Deng Jinping (<i>Resigned on 22 March 2019</i>)	N/A	0/3

EXPERIENCE

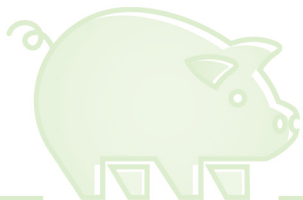
Executive and non-executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Wong Yuk Lun, Alan and Mr. Chan Hin Hang. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction of the Group's operations.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The summary of the board diversity policy (the "Board Diversity Policy"), together with the measurable objectives set for implementing the Board Diversity Policy, and the progress for achieving those objectives are disclosed as below:-

Summary of the Board Diversity Policy

With the aim of enhancing Board effectiveness and corporate governance as well as achieving our business objectives, in designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.



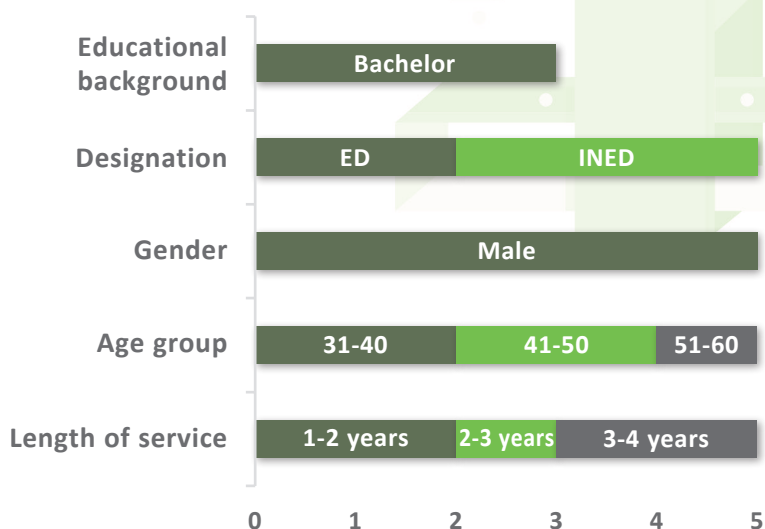
Measurable objectives

Selection of candidates of the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board.

Implementation and Monitoring

The Nomination Committee is responsible for monitoring the progress of the measurable objectives set out in the Board Diversity Policy, and reviewed the Board’s composition at least once annually. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness.

As at the date of this report, the Board’s composition under diversified perspectives was summarised as follows:



CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted a model code of practice for securities dealings by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. 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 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code (the “Employees Written Guidelines”), governing securities transactions by employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2019.

In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 11 February 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which is available on the websites of the Stock Exchange and the Company. The duties of the Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the Company's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board of the remuneration of the non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee currently consists of Mr. Wong King Shiu, Daniel, Mr. Chan Chi Ching, Mr. Wong Yuk Lun, Alan and Mr. Chan Hin Hang. Mr. Wong King Shiu, Daniel is the chairman of the Remuneration Committee.

WORK SUMMARY OF REMUNERATION COMMITTEE

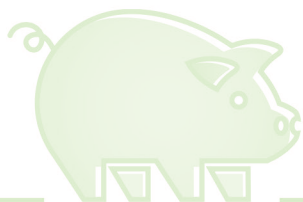
In 2019, the Remuneration Committee held two meetings to review the remuneration policy and packages for all Directors and senior management, to review and recommend to the Board the remuneration package in relation to the appointment of new director on 22 March 2019. Details of attendance of members at meeting of the Remuneration Committee held during the year ended 31 December 2019 are set out as follows:

	Attendance/ Number of meetings
Mr. Wong King Shiu, Daniel (<i>Committee Chairman</i>)	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Chan Chi Ching	2/2
Mr. Chan Hin Hang (<i>appointed on 22 March 2019</i>)	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.



NOMINATION COMMITTEE

The Company established a Nomination Committee on 11 February 2014 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which is available on the websites of the Stock Exchange and the Company. The duties of the Nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; (d) reviewing the effectiveness of the Board Diversity Policy; (e) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive; and (f) reviewing the Nomination Policy and Board Diversity Policy to the Board. Mr. Chan Hin Hang, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee since 22 March 2019. The Nomination Committee currently consists of Mr. Chan Hin Hang, Mr. Chan Chi Ching, Mr. Wong Yuk Lun, Alan and Mr. Wong King Shiu, Daniel. Mr. Chan Hin Hang is the chairman of the Nomination Committee.

WORK SUMMARY OF NOMINATION COMMITTEE

In 2019, the Nomination Committee held two meetings and reviewed and noted, inter-alia, re-election of retiring Directors; the size, composition and structure of the Board; the board diversity of the Board; results of annual assessment on effectiveness of the Board and for each of the independent non-executive Directors for the year 2019; assessment of independence of the independent non-executive Directors. In addition, it also reviewed and recommended to the Board for approval/noting: (i) the Board Diversity Policy; (ii) the nomination policy and (iii) revisions to the terms of reference of Nomination Committee. Details of attendance of members at meeting of the Nomination Committee held during the year ended 31 December 2019 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang (<i>Committee Chairman</i>) (<i>appointed on 22 March 2019</i>)	2/2
Mr. Chan Chi Ching	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Wong King Shiu, Daniel	2/2
Mr. Deng Jinping (<i>Committee Chairman</i>) (<i>resigned on 22 March 2019</i>)	N/A

NOMINATION POLICY

Objectives

The nomination policy of the Company (the "Nomination Policy") sets out the procedures process and criteria for identifying and recommending candidates for election to the Board of Directors.

The Nomination Policy as adopted by the Company on 31 December 2018, aims to ensure the Board of directors of the Company are equipped with the appropriate balance of skills, experience and knowledge and diversity of perspectives appropriate with the Company's business and future development.

Selection Criteria

The factors which are not exhaustive and decisive, listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- a. Reputation for integrity.
- b. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
- c. Commitment in respect of sufficient time and relevant interest.
- d. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
- e. Such other perspectives appropriate to the Company's business.

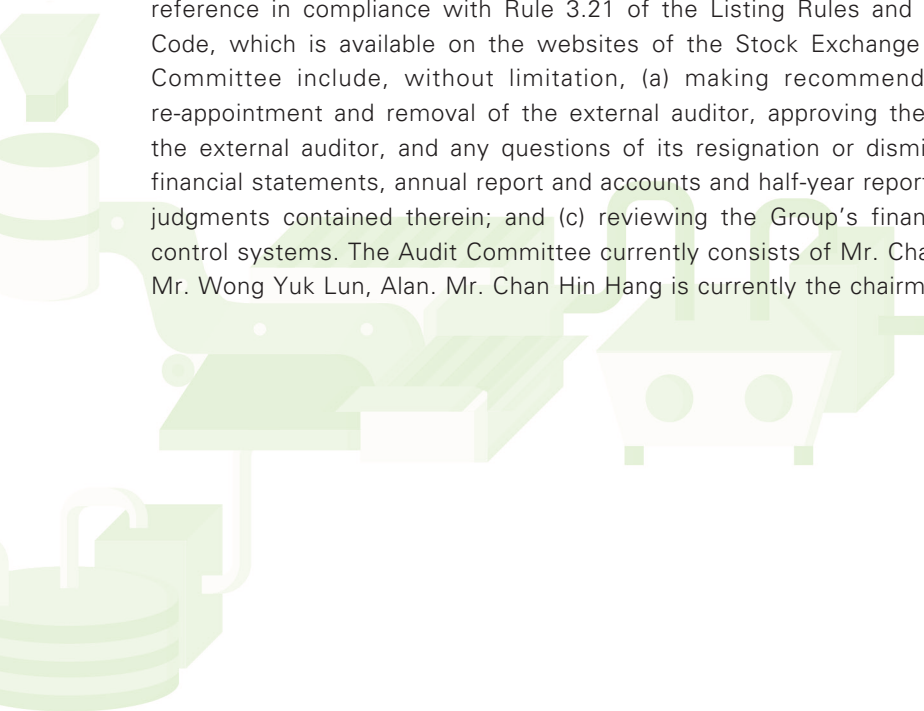
These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate and recommend any person, as it considers appropriate to the Board for further approval.

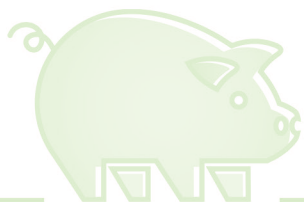
Review of the Nomination Policy

The Nomination Committee shall review and recommend to the Board on any revisions to the Nomination Policy to ensure its transparent and fair for the election or re-election process of directors, remains relevant to the Company needs and reflects the good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revision to the Board for consideration and approval.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 11 February 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code, which is available on the websites of the Stock Exchange and the Company. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; and (c) reviewing the Group's financial controls, risk management and internal control systems. The Audit Committee currently consists of Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan. Mr. Chan Hin Hang is currently the chairman of the Audit Committee.





WORK SUMMARY OF AUDIT COMMITTEE

The Audit Committee held two meetings during the year ended 31 December 2019 and had performed the following work:-

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2018;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2019;
- reviewed the external auditors' statutory audit plan, audit scope and engagement letters;
- reviewed and recommended for approval by the Board the 2019 interim and annual audit plan, scope and fees;
- reviewed the adequacy and effectiveness of risk management and internal control system and processes of the Group for the year ended 31 December 2018; and
- reviewed the revisions to the terms of reference of the Audit Committee.

The Audit Committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the financial statements to the Board for approval. There was no disagreement between management and the external auditors with regard to the interim and annual financial statements.

Details of attendance of members at meetings of the Audit Committee held during the year ended 31 December 2019 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang (<i>Committee Chairman</i>) (<i>appointed on 22 March 2019</i>)	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Wong King Shiu, Daniel	2/2
Mr. Deng Jinpeng (<i>resigned on 22 March 2019</i>)	N/A

INVESTMENT AND TREASURY COMMITTEE

The Company established an Investment and Treasury Committee on 21 May 2019 (the “Investment and Treasury Committee”) with written terms of reference, which is available on the websites of the Stock Exchange and the Company. The duties of the Investment and Treasury Committee include, without limitation, (a) review the accounts of the Company from time to time; (b) monitor and regulate investment decisions, strategies, investment plan and treasury activities of the Company; (c) consider and recommend the Board any types of fund raising instruments and to take any steps appropriate and necessary in relation to the investment or treasury activities of the Company; (d) review the potential costs and returns of investments projects of the Company from time to time; (e) review the terms of reference and its effectiveness in the perform of its duties annually and to make recommendation to the Board any changes it considers necessary.

The Investment and Treasury Committee currently consists of Mr. Chan Hin Hang, Mr. Chan Chi Ching and Mr. Suen Man Fung. Mr. Chan Hin Hang is the chairman of the Investment and Treasury Committee.

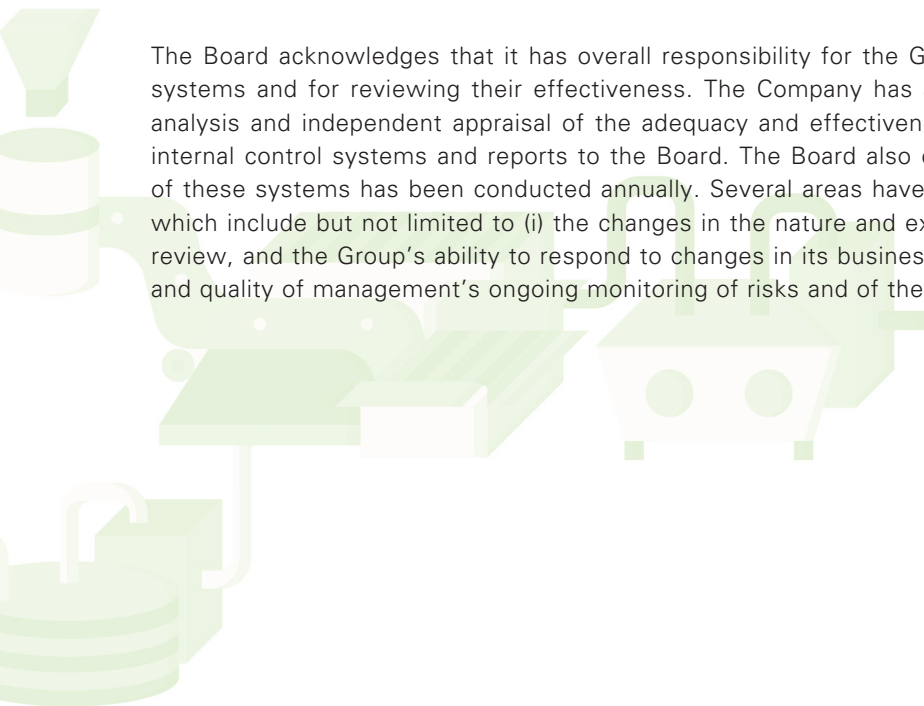
WORK SUMMARY OF INVESTMENT AND TREASURY COMMITTEE

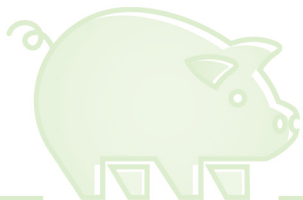
In 2019, the Investment and Treasury Committee held two meetings to review the accounts, investments plans of the Company. It also reviewed and recommended the Board to take the appropriate steps in relation to the investment and other related treasury activities of the Company. Details of attendance of members at the meeting of the Investment and Treasury Committee held during the year ended 31 December 2019 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang (<i>Committee Chairman</i>) (<i>appointed on 21 May 2019</i>)	2/2
Mr. Chan Chi Ching (<i>appointed on 21 May 2019</i>)	2/2
Mr. Suen Man Fung (<i>appointed on 21 May 2019</i>)	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the Group’s risk management and internal control systems and for reviewing their effectiveness. The Company has an internal audit team which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company’s risk management and internal control systems and reports to the Board. The Board also ensures that the review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board’s review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group’s ability to respond to changes in its business and the external environment (ii) the scope and quality of management’s ongoing monitoring of risks and of the internal control systems.





During the year ended 31 December 2019, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee of the Company also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review in the year ended 31 December 2019 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

- (1) A list of risks was created after the scope of risks was determined and risks were identified.
- (2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.
- (3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.
- (4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarised the risk management and internal control systems to realise the efficient operation and constant improvement of risk management.
- (5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.
- (6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant counter-measures.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is the responsibility of the Directors to prepare the accounts for each financial period. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company. The Directors indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business. Details of material uncertainties are set out in note 3 to the consolidated financial statements.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regular basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the Audit Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year under review, the remuneration payable for audit services provided by the auditors is approximately RMB1,000,000.

INSIDE INFORMATION

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements inside information procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place as appropriate when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

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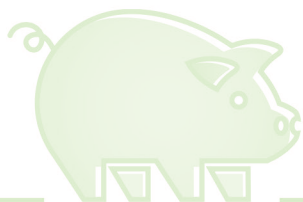
ANNUAL REPORT 2019

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Company. Details of the corporate governance functions are as follows (including but not limited to):

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2019 included developing and reviewing the Company's policies on corporate governance and reviewing the Company's compliance with the Code Provisions.



PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Up to 31 December 2019, the Directors complied with the paragraph A.6.5 of the Code Provision on participation in continuous professional training as follows:

	Mode of participation	
	a	b
Executive Directors		
Mr. Chan Chi Ching	✓	✓
Ms. Lam Ka Lee (<i>Resigned on 6 September 2019</i>)	✓	✓
Dr. Liu Ta-pei (<i>Resigned on 17 February 2020</i>)	✓	✓
Mr. Suen Man Fung	✓	✓
Independent Non-Executive Directors		
Mr. Wong King Shiu, Daniel	✓	✓
Mr. Wong Yuk Lun, Alan	✓	✓
Mr. Chan Hin Hang (<i>Appointed on 22 March 2019</i>)	✓	✓

- a: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.
- b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

COMPANY SECRETARY

Mr. Lau Chi Yuen, the company secretary of the Company and has complied with Rule 3.28 of the Listing Rules. The biographical details of Mr. Lau are set out under the section headed "Biographical Details of Directors and Senior Management".

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- delivery of the interim and annual results and reports to all Shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and Shareholders.

The Board has maintained an on-going dialogue with the Shareholders and investors of the Company, and will regularly review this policy to ensure its effectiveness. Information will be communicated to the Shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meeting and other general meetings that may be convened, as well as by making available all the information submitted by the Company to the website of the Stock Exchange and its corporate communications on the Company's website. Shareholders can direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and investors may at any time make a request for the Company's information to the extent such information is publicly available.

SHAREHOLDERS' RIGHTS

1. Procedure for Shareholders to convene an extraordinary general meeting

Any one or more Shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition. The Requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong

Address: Unit 8A, 8/F, Aubin House, 171-172 Gloucester Road, Wan Chai, Hong Kong

Email: info@hsihl.com

Attention: Board of Directors/Company Secretary

The Requisition must state clearly the name of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Requisitionist(s) concerned.



The Company will check the Requisition and the identity and the shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene the EGM within two months and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM.

If within twenty-one (21) days of such deposit the Board has not advised the Requisitionist(s) of any outcome to the contrary and fails to proceed to convene the EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Principal place of business of the Company in Hong Kong

Address: Unit 8A, 8/F, Aubin House, 171-172 Gloucester Road, Wan Chai, Hong Kong

Email: info@hsihl.com

Attention: Board of Directors/Company Secretary

Shareholders may also make enquiries with the Board at the general meetings of the Company.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong at Unit 8A, 8/F, Aubin House, 171-172 Gloucester Road, Wan Chai, Hong Kong.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (a) Notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;
- (b) Notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and
- (c) Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

DIVIDEND POLICY

The dividend policy of the Company has been adopted on 31 December 2019 which sets out the factors in determination of dividend payment of the Company (the “Dividend Policy”).

Under the Dividend Policy, the declaration and payment of dividends shall be in accordance with the applicable laws and the relevant provisions of articles of association of the Company effective from time to time.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group’s earnings, reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development, the financial conditions, business plan, future operations and earnings, capital requirement and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Group’s lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

The Company will continually review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

CONSTITUTIONAL DOCUMENTS

On 11 February 2014, the Company adopted the second amended and restated memorandum of association with immediate effect, and the second amended and restated articles of association, which were effective upon listing. These are available on the websites of the Company and the Stock Exchange. There was no change to the constitutional documents of the Company during the year ended 31 December 2019.





INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF HUISENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huisheng International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 134, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately RMB191,569,000 for the year ended 31 December 2019 and, as of that date the Group had bank balances and cash of approximately RMB3,523,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for expected credit losses assessment of loan receivables</p>	
<p>Refer to note 4 and note 22 to the consolidated financial statements.</p>	
<p>As at 31 December 2019, the Group's gross loan receivables amounted to approximately RMB274,029,000 (2018: approximately RMB260,000,000) and a provision for allowance for expected credit losses of loan receivables of approximately RMB2,110,000 (2018: approximately RMB265,000) was recognised in the Group's consolidated statement of financial position.</p>	<p>Our procedures in relation to management's assessment on provision for allowance for expected credit losses of loan receivables as at 31 December 2019 included:</p>
<p>The balance of provision for allowance for expected credit losses of loan receivables represents the management's best estimates at the year end date of expected credit losses under Hong Kong Financial Reporting Standard 9 <i>Financial Instruments</i>.</p>	<ul style="list-style-type: none"> • understanding the procedures performed by management, including periodic review on overdue receivables and the assessment of expected credit losses allowance on the loan receivables; • understanding and evaluating the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination; • understanding the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence for the historical information; • assessing the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data for forward-looking measurement; and • checking major data inputs used in the expected credit losses models on sample basis to the Group's record.
<p>Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involve significant management judgments and assumptions, primarily including the following:</p>	<ul style="list-style-type: none"> • Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default; • Criteria for determining whether or not there was a significant increase in credit risk or a default; and • Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings. <p>We found that the estimates and judgements made by management in respect of the expected credit losses allowance and the collectability of the loan receivables were supported by the available evidence.</p>
<p>We focus on this area due to the magnitude of the loan receivables and the significant estimates and judgements involved in determining the expected credit losses allowance on the loan receivables.</p>	



Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment	
<p>Refer to note 4 and note 15 to the consolidated financial statements.</p>	
<p>As at 31 December 2019, the Group had property, plant and equipment of approximately RMB158,161,000 (2018: approximately RMB261,733,000). In view of the current situation of the slaughterhouse and breeding farms and the spread of African Swine Fever since 2018. There is an indicator of impairment for property, plant and equipment and hence the management of the Group performed an impairment assessment on the property, plant and equipment. An impairment loss on property, plant and equipment of approximately RMB94,674,000 (2018: approximately RMB207,640,000) was recognised for the year. This conclusion was based on the selection of appropriate comparables and assumptions such as discount rate and future revenue. The Group engaged an external valuer to perform the valuation for the recoverable amount of the property, plant and equipment. Independent external valuation was obtained in order to support management's estimates.</p>	<p>Our procedure in relation to the management's impairment assessment of property, plant and equipment included:</p> <ul style="list-style-type: none">• evaluating the independent valuer's competence, capabilities and objectivity;• assessing the appropriateness of the methodology, key assumptions and estimates used in management's discounted cash flow projections, based on our knowledge of the relevant industry and using our valuation experts;• challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and• checking, on a sampling basis, the accuracy and relevance of the input data used.
<p>The Group assess the recoverable amount of the property, plant and equipment by reference to a discounted cash flow projections prepared by management of the Group.</p>	<p>We found that the assumptions made by management for impairment assessment were supported by the available information.</p>
<p>Significant judgements were involved in the preparation of discounted cash flow projections, including assumption of budgeted sales, budgeted gross margin and discounted rate.</p>	

INDEPENDENT AUDITORS' REPORT (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.





AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

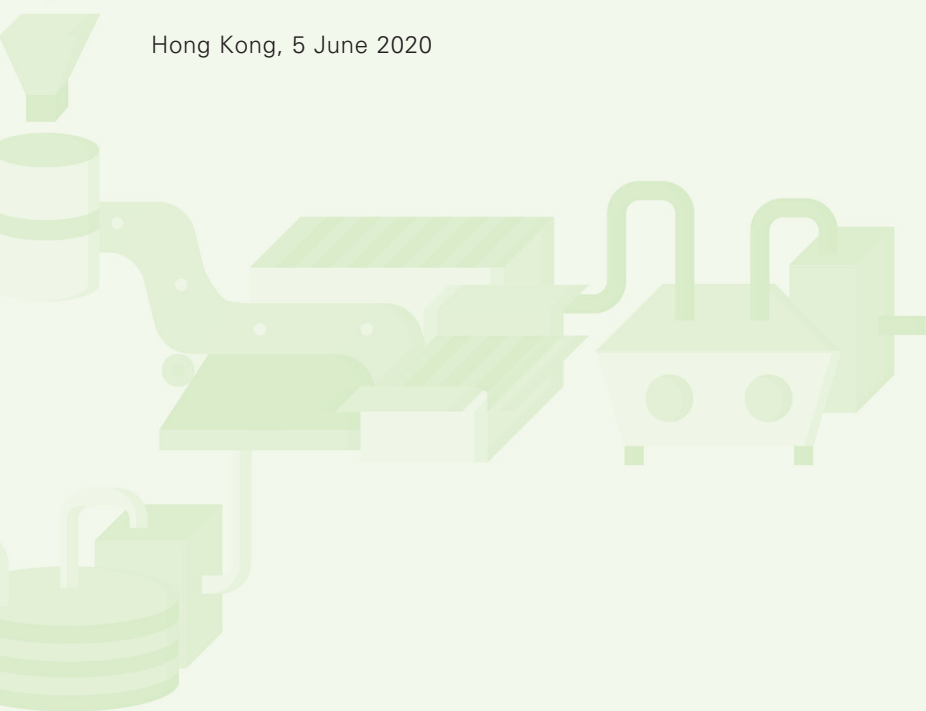
HLB Hodgson Impey Cheng Limited

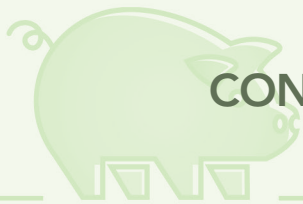
Certified Public Accountants

Tien Sun Kit, Jack

Practicing Certificate Number: P07364

Hong Kong, 5 June 2020





CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	5,655	382,016
Cost of sales		(5,570)	(389,254)
Gross profit/(loss)		85	(7,238)
Other income	6	27,405	16,539
Other gain or loss, net	8	1,171	(57,684)
Gain arising from change in fair value of investment properties	18	—	2,110
Loss arising from change in fair value of financial assets at fair value through profit or loss	11	(5,759)	(18,715)
Impairment loss of property, plant and equipment	15	(94,674)	(207,640)
Impairment loss of right-of-use assets	17	(6,204)	—
Impairment loss of deposits and prepayments for property, plant and equipment		(43,979)	—
Impairment loss of deposits and prepayments for biological assets		(28,000)	—
Allowance for expected credit losses, net		(12,111)	(802)
Selling and distribution expenses		—	(6,310)
Administrative expenses		(22,007)	(58,328)
Finance costs	9	(1,256)	(8,346)
Loss before taxation		(185,329)	(346,414)
Taxation	10	(6,240)	3,449
Loss for the year	11	(191,569)	(342,965)
Other comprehensive (loss)/income for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		(1,000)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,275)	3,469
<i>Items that were reclassified to profit or loss:</i>			
Reclassification adjustment of exchange differences upon disposal of subsidiaries	27(a)	1,002	—
Other comprehensive (loss)/income for the year, net of income tax		(4,273)	3,469
Total comprehensive loss for the year		(195,842)	(339,496)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Loss for the year attributable to:			
Owners of the Company		(191,516)	(342,953)
Non-controlling interests		(53)	(12)
		(191,569)	(342,965)
Total comprehensive loss attributable to:			
Owners of the Company		(195,789)	(339,484)
Non-controlling interests		(53)	(12)
		(195,842)	(339,496)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	(21.74)	(39.30)

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





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	158,161	261,733
Right-of-use assets	17	11,695	—
Prepaid lease payments	16	—	16,397
Deposits and prepayments for property, plant and equipment	22	72,259	116,238
Deposits and prepayments for biological assets	22	92,000	120,000
Loan receivables	22	257,998	259,735
Investment properties	18	—	17,121
Financial assets at fair value through other comprehensive income	19	500	1,500
		592,613	792,724
Current assets			
Financial assets at fair value through profit or loss	20	12,759	35,124
Prepaid lease payments	16	—	455
Trade receivables	21	—	5,669
Loan receivables	22	13,921	—
Prepayments, deposits and other receivables	22	79,058	52,508
Tax recoverable		—	12
Bank balances and cash	23	3,523	8,168
		109,261	101,936
Current liabilities			
Accruals and other payables	24	46,042	36,911
Borrowings	26	—	22,690
Lease liabilities	25	464	—
Deferred revenue	28	25	25
Tax payable		6,240	—
		52,771	59,626
Net current assets		56,490	42,310
Total assets less current liabilities		649,103	835,034

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

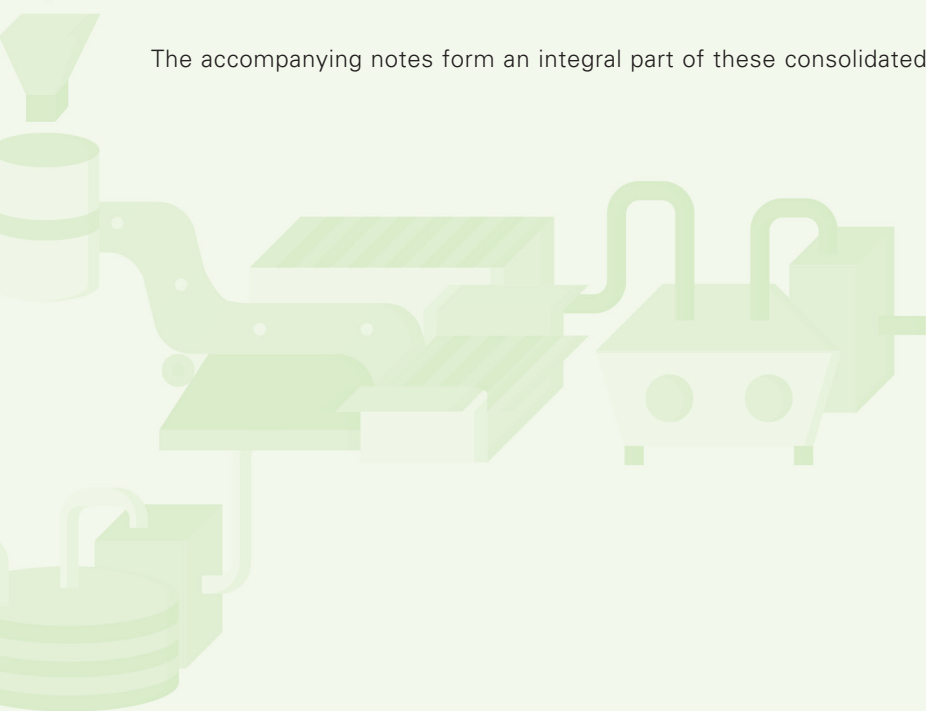
	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Note payable	26	8,886	—
Lease liabilities	25	1,050	—
Deferred revenue	28	277	302
		10,213	302
Net assets		638,890	834,732
Equity			
Share capital	29	7,308	7,308
Reserves		628,168	823,957
Equity attributable to owners of the Company		635,476	831,265
Non-controlling interests		3,414	3,467
Total equity		638,890	834,732

Approved by the Board of Directors on 5 June 2020 and signed on its behalf by:

Chan Chi Ching
Executive Director

Suen Man Fung
Executive Director

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





CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000 (note (a))	Other reserve RMB'000 (note (b))	Share option reserve RMB'000	Revaluation reserve RMB'000	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2018	7,200	442,233	3,747	43,233	17,091	7,618	—	644,143	1,165,265	3,479	1,168,744
Loss for the year	—	—	—	—	—	—	—	(342,953)	(342,953)	(12)	(342,965)
Other comprehensive income for the year	—	—	3,469	—	—	—	—	—	3,469	—	3,469
Total comprehensive (loss)/ income for the year	—	—	3,469	—	—	—	—	(342,953)	(339,484)	(12)	(339,496)
Exercise of share option (note 29(a))	108	3,014	—	—	—	(875)	—	—	2,247	—	2,247
Recognition of equity-settled share-based payment expenses (note 30)	—	—	—	—	—	3,237	—	—	3,237	—	3,237
As at 31 December 2018 and 1 January 2019	7,308	445,247	7,216	43,233	17,091	9,980	—	301,190	831,265	3,467	834,732
Loss for the year	—	—	—	—	—	—	—	(191,516)	(191,516)	(53)	(191,569)
Other comprehensive loss for the year	—	—	(3,273)	—	—	—	(1,000)	—	(4,273)	—	(4,273)
Total comprehensive loss for the year	—	—	(3,273)	—	—	—	(1,000)	(191,516)	(195,789)	(53)	(195,842)
As at 31 December 2019	7,308	445,247	3,943	43,233	17,091	9,980	(1,000)	109,674	635,476	3,414	638,890

Notes:

- (a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (b) Other reserve represents the capital contributions from the owners of the subsidiaries now comprising the Group before the completion of the reorganisation on 10 November 2011.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Operating activities			
Loss before taxation		(185,329)	(346,414)
Adjustments for:			
Interest income	6	(25,954)	(14,530)
Finance costs	9	1,256	8,346
Depreciation of property, plant and equipment	11	8,904	35,139
Depreciation of right-of-use assets	11	923	—
Impairment loss of property, plant and equipment	15	94,674	207,640
Impairment loss of deposits and prepayments for property, plant and equipment		43,979	—
Impairment loss of deposits and prepayments for biological assets		28,000	—
Impairment loss of right-of-use assets	17	6,204	—
Amortisation of prepaid lease payments	11	—	505
Expenses recognised in respect of equity-settled share-based payment		—	3,237
Gain arising from change in fair value of investment properties	18	—	(2,110)
Loss arising from change in fair value of financial assets at fair value through profit or loss	11	5,759	18,715
Gain on disposal of subsidiaries	8, 27	(1,171)	(8,069)
Write-off of biological assets	8	—	33,277
Write-off of inventories	8	—	32,476
Bad debts written off	11	—	350
Allowance for expected credit losses, net		12,111	802
Operating cash flows before movements in working capital			
		(10,644)	(30,636)
Increase in biological assets		—	(18,325)
Decrease in financial assets at fair value through profit or loss		16,989	17,545
Increase in inventories		—	(13,305)
Decrease in trade receivables		—	125,805
Increase in prepayments, deposits and other receivables		(19,746)	(276,793)
Decrease in trade payables		—	(82,379)
Increase in accruals and other payables		6,398	70,383
Cash used in operating activities			
		(7,003)	(207,705)
Income tax refund/(paid)		12	(2,086)
Net cash used in operating activities			
		(6,991)	(209,791)



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Investing activities			
Interest received		637	1,120
Purchase of property, plant and equipment		—	(257)
Purchase of prepaid lease payments		—	(33)
Addition of non-current biological assets		—	(3,095)
Proceeds on disposals of non-current biological assets		—	19,275
Deposits and prepayments for biological assets		—	(120,000)
Deposits and prepayments for property, plant and equipment		—	(83,991)
Net cash inflow/(outflow) from disposal of a subsidiary	27(a)&(b)	17,521	(212)
Net cash generated from/(used in) investing activities		18,158	(187,193)
Financing activities			
Interest paid		(1,220)	(8,346)
Proceeds from borrowings		—	58,877
Repayments of borrowings	23	(22,782)	—
Proceeds from note payable	23	8,683	—
Repayment of lease liabilities	23	(456)	—
Proceeds from exercise of share options		—	2,247
Net cash (used in)/generated from financing activities		(15,775)	52,778
Net decrease in cash and cash equivalents		(4,608)	(344,206)
Cash and cash equivalents at the beginning of the year		8,168	349,780
Effect of foreign exchange rate changes		(37)	2,594
Cash and cash equivalents at the end of the year		3,523	8,168

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 Unit 8A, 8/F., Aubin House, 171–172 Gloucester Road, Wan Chai, 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. 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 the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.



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

HKFRS 16 Leases (Continued)

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months from the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis;
- (iv) used hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Group’s leases with extension and termination options; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 7.64%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

	RMB'000
Operating lease commitment at 31 December 2018	658
Less: total future interest expenses	(175)
Lease liabilities as at 1 January 2019	483
Analysis as:	
Non-current	381
Current	102
	483

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	483
Add: reclassification from prepaid lease payments in non-current portion (<i>note</i>)	16,397
Add: reclassification from prepaid lease payment in current portion (<i>note</i>)	455
	17,335

	Right-of-use assets
	RMB'000
By class:	
Land use rights	16,852
Office premises	483
	17,335



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

Note:

Upfront payments for land use rights in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB455,000 and approximately RMB16,397,000 respectively were reclassified to right-of-use assets.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Reclassification RMB'000	Recognition of lease RMB'000	Carrying amounts under HKFRS16 at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16				
Right-of-use assets	—	16,852	483	17,335
Prepaid lease payments	16,397	(16,397)	—	—
Total non-current assets	792,724	455	483	793,662
Prepaid lease payments	455	(455)	—	—
Total current assets	101,936	(455)	—	101,481
Lease liabilities (current)	—	—	381	381
Total current liabilities	59,626	—	381	60,007
Net current assets	42,310	(455)	(381)	41,474
Total assets less current liabilities	835,034	—	102	835,136
Lease liabilities (non-current)	—	—	102	102
Total non-current liabilities	302	—	102	404

Effect on cashflow

For the purpose of reporting cashflows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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

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:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ¹
HKFRS 3 (Amendments)	Definition of a Business ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
HKFRS 16 (Amendments)	Covid-19-Related Rent Reform ⁵

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. 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 the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments 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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* (since 1 January 2019) or HKAS 17 (before application of 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*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going concern

For the year ended 31 December 2019, the Group incurred a net loss of approximately RMB191,569,000 (2018: approximately RMB342,965,000), and as of that date, bank balances and cash was approximately RMB3,523,000 (2018: approximately RMB8,168,000). The directors of the Company adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and finance requirements. Certain measures have been and will be taken to manage its liquidity need and to improve its financial position which include, but are not limited to, the following:

- (i) The Group will implement operational plans to control costs and generate adequate cash flows from the Group's operations.

The directors of the Company are of the view that the slaughtering and trading of pork products segment is expected to resume operations in the second half of 2020 or any later possible date, is able to contribute and generate a positive operating cash inflow to the Group.

The Group will manage and operate pipe business in a cautious manner and the directors of the Company are of the view that pipe business is able to contribute and generate a positive operating cash inflow to the Group.

- (ii) The Group is taking measures to tighten cost control over various costs with an aim to attain profitable and positive cash flow operations.
- (iii) The management will continuously seek any potential investment/business opportunities, including but not limited to slaughterhouse and/or breeding farms, which would be in order to further diversify of our business risks.
- (iv) The Group may consider to dispose financial assets if required.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. The directors of the Company are of the opinion that, taking into account the above mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2019 on a going concern basis.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going concern (Continued)

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The principal accounting policies are set out below:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

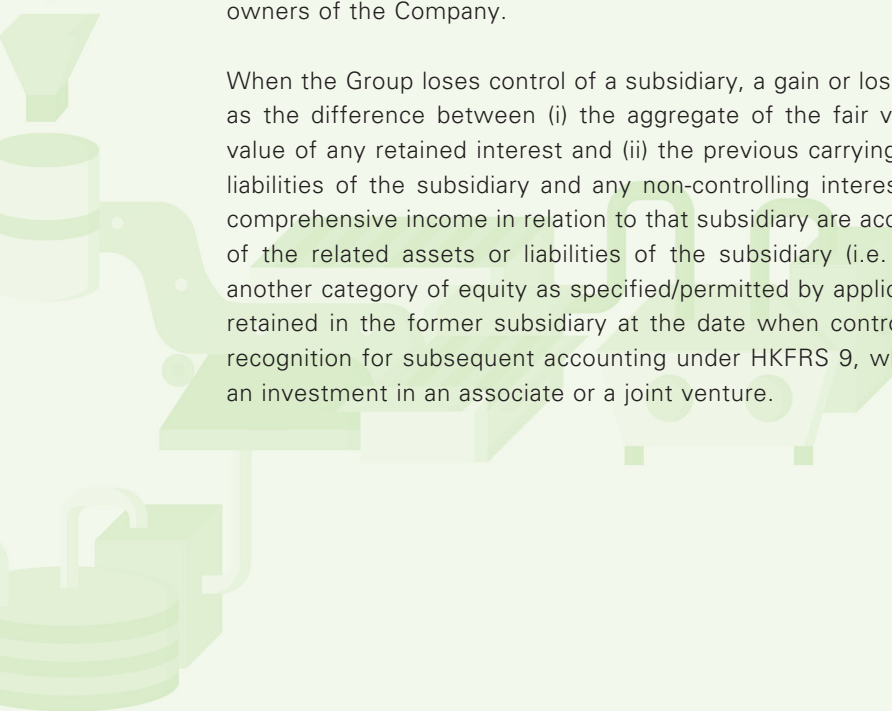
All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the CGU (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Revenue and other income recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income recognition (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The Group recognises revenue from the following major source which was recognised over the terms of the contracts as the work is performed:

(i) **Sales of pork products**

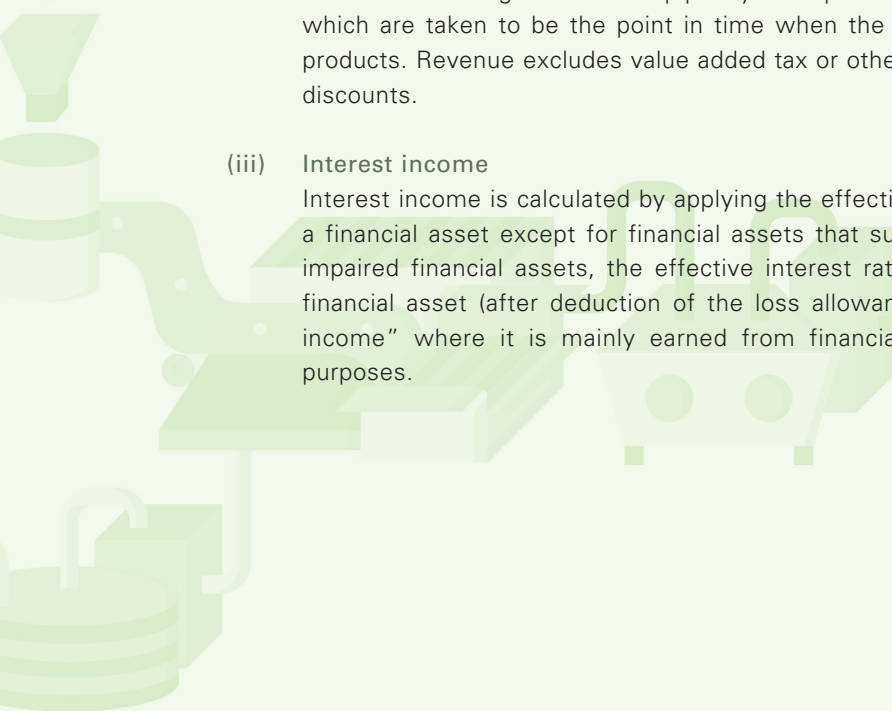
Revenue is recognised when pork products are delivered, hogs are slaughtered at the customers' premises which are taken to be the point in time when the customer accepts and takes the control of the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) **Sales of Pipe system products**

Revenue is recognised when pipe system products are delivered at the customers' premises which are taken to be the point in time when the customer accepts and takes the control of the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) **Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

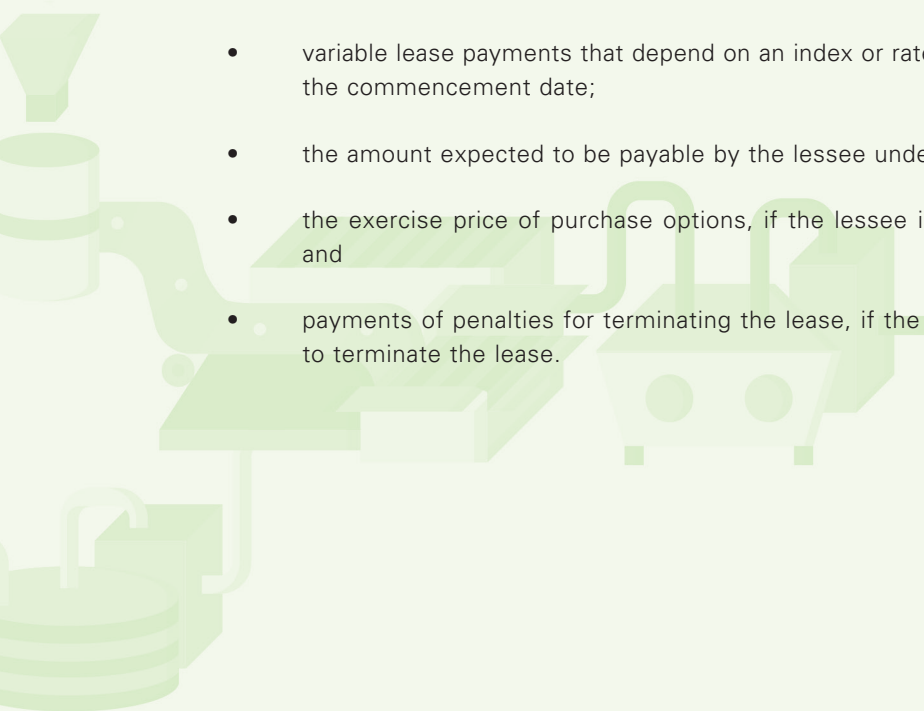
Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)
(Continued)

Lease liabilities (Continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)
(Continued)

Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

The Group as a lessee (prior to 1 January 2019)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” (upon application of HKFRS 16) or “prepaid lease payments” (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Foreign currencies

The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong dollars. The functional currency of the PRC subsidiary is RMB. The consolidated financial statements are presented in RMB which is the Group’s presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

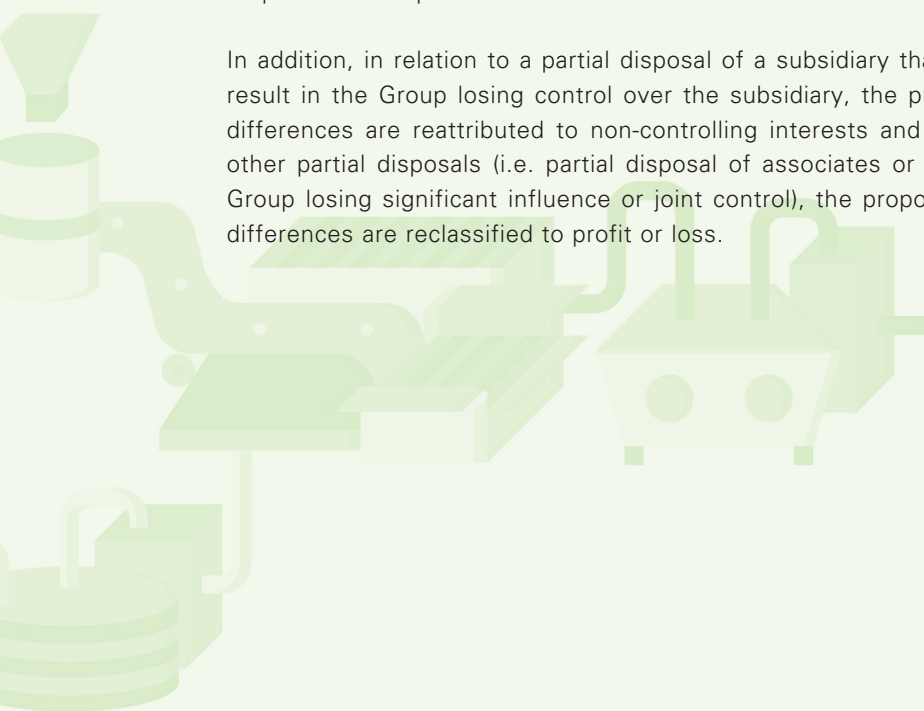
Exchange differences on monetary items are recognised in profit or loss in the reporting period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences are reclassified to profit or loss.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences relating to the retranslation of the Group's net assets in HK\$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

An unconditional government grant related to the processing of ill hogs shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised the related costs as expenses for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

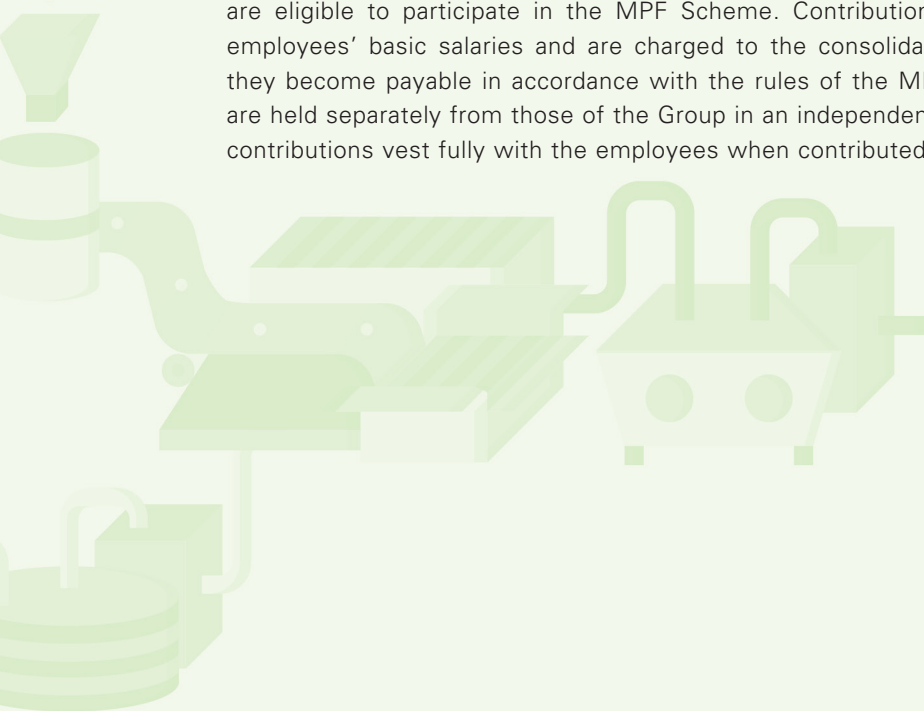
Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs (Continued)

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

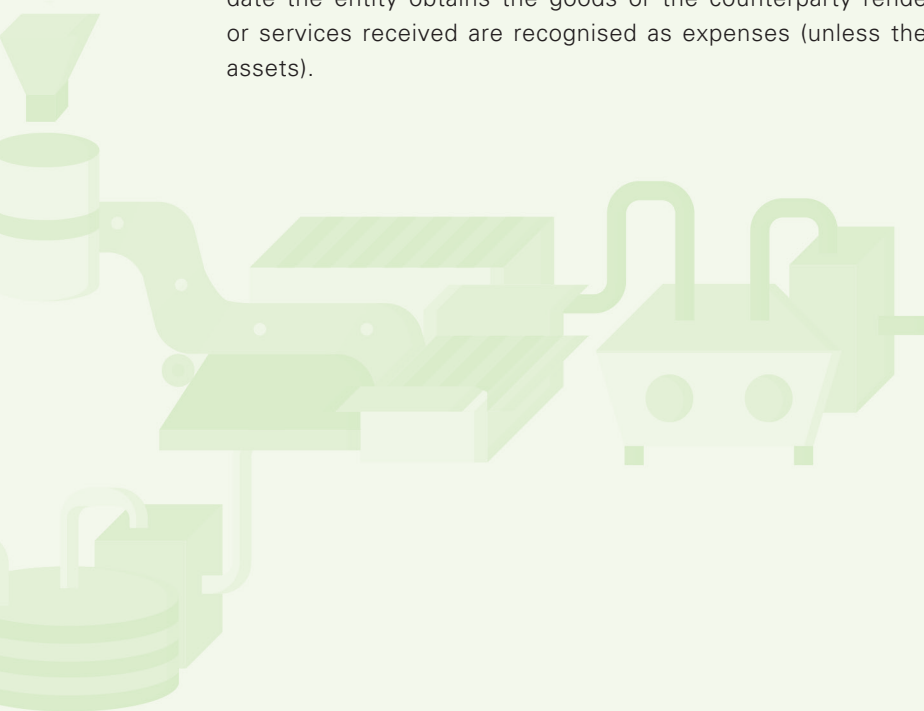
The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to share premium.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

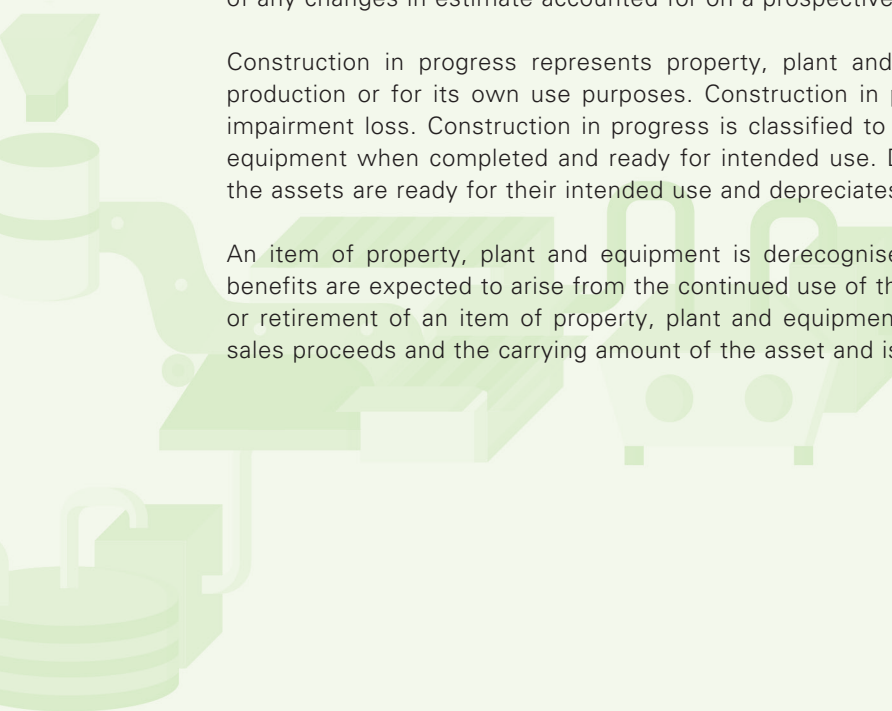
Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account of their residual value, on a straight-line basis at the following rates per annum:

Buildings	4.75%
Plant and machinery	9.50%
Motor vehicles	24%
Furniture, fixture and equipment	19%–31.67%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Investment property

Investment properties are proprieties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Biological assets

Hogs, including breeder hogs and porkers, are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with a resultant gain or loss recognised in profit or loss for the year in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost and excluding finance costs and income taxes. The fair value of hogs is determined based on its present location and condition and is determined independently by professional valuer.

The feeding costs and other related costs including utilities cost and consumables incurred for raising of hogs are capitalised.

Prepaid lease payments (prior to 1 January 2019)

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the reporting period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

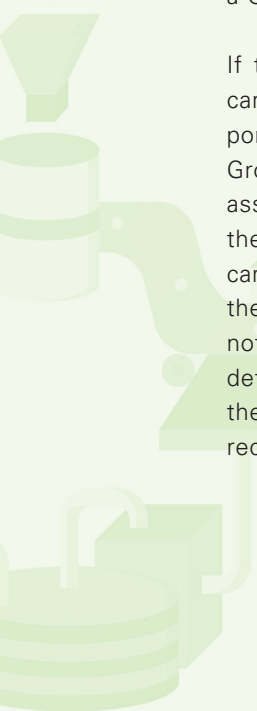
The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other income.

Financial assets

(i) *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement of financial assets (Continued)

Equity instruments designated as at FVOCI

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item.

(ii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") model on financial assets (including trade receivables, deposits paid, other receivables, loan receivables and cash and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) *Impairment of financial assets (Continued)*

Significant increase in credit risk

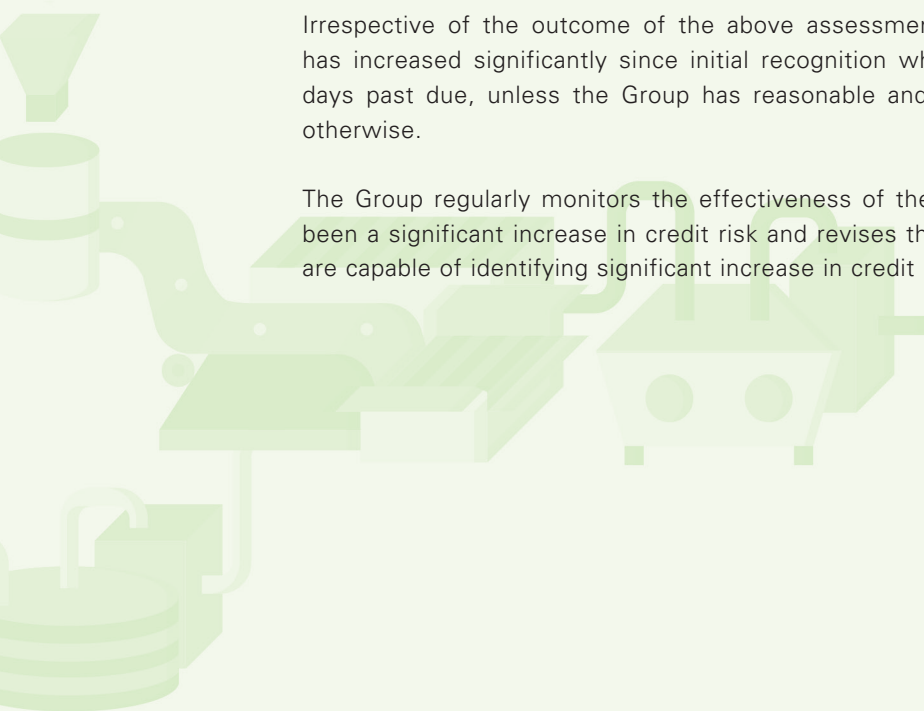
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) Impairment of financial assets (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) *Impairment of financial assets (Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

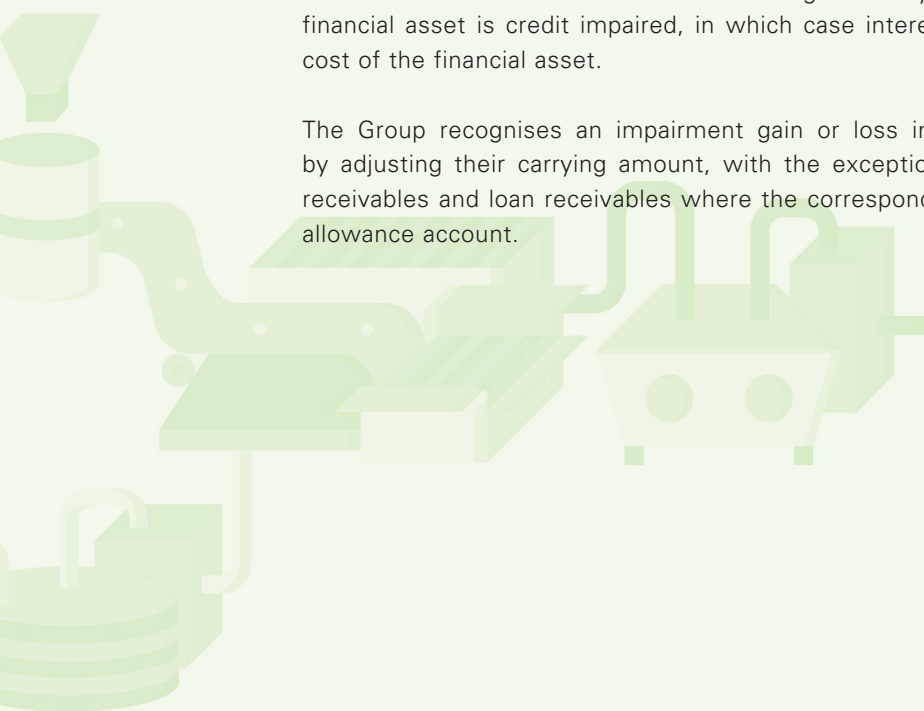
Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, deposits paid, other receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(iii) *Derecognition of financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including accruals and other payables, lease liabilities, borrowings, and note payable are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

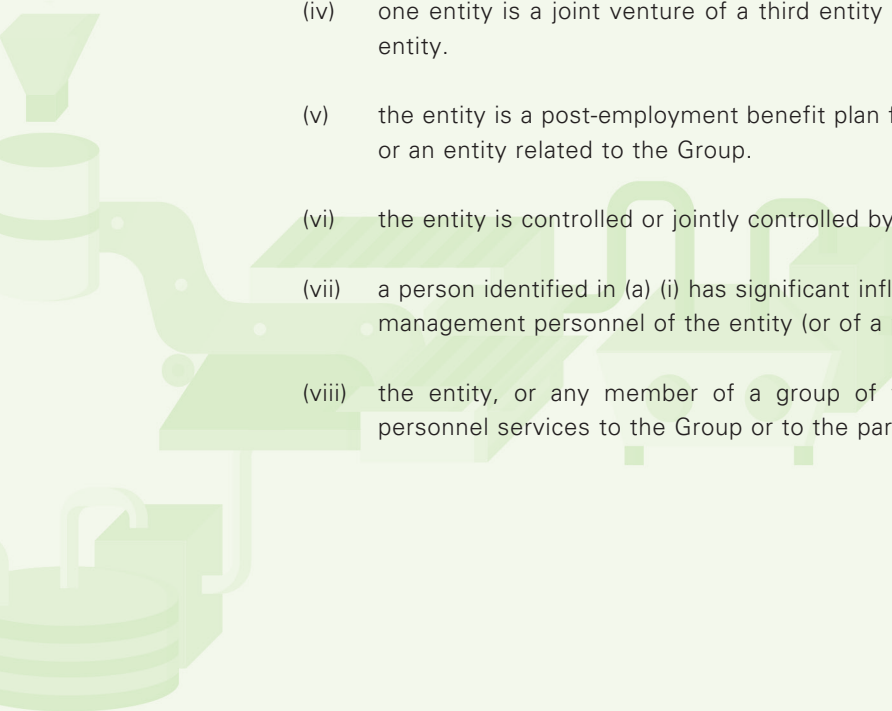
Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties transactions

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions (Continued)

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related party.

Contingent liabilities and contingent assets

Contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. These liabilities can also be present obligation arising from past events that are not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the consolidated financial statements. When changes in the probability of outflows occur so that outflows are probable, they will then be recognised as a provision.

Contingent asset are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when the inflows of economic benefits are probable. When inflows are virtually certain, assets are recognised.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

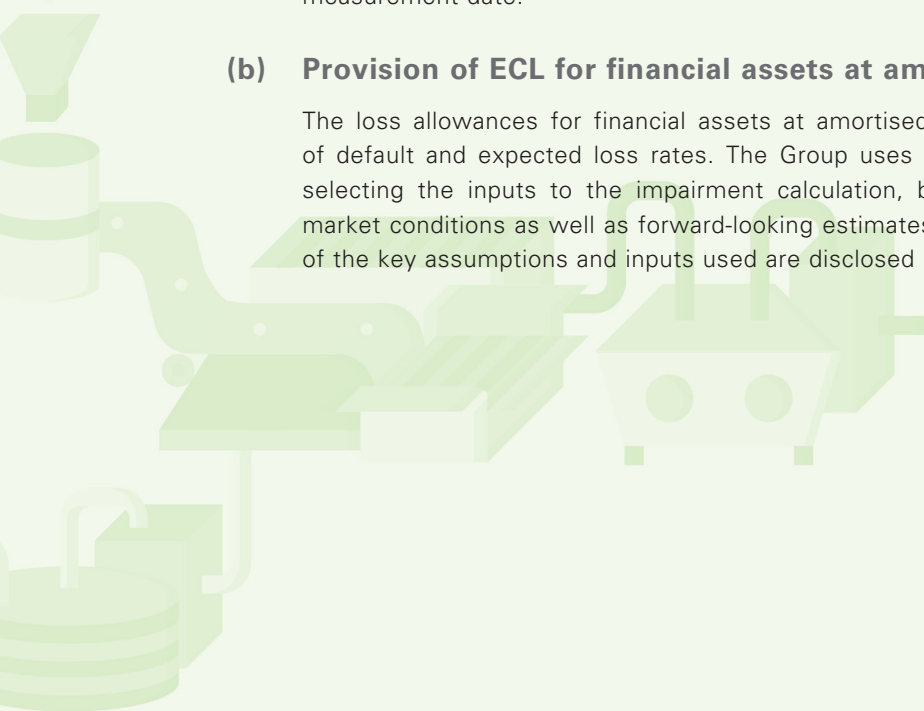
The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment and right-of-use assets is estimated. The recoverable amount of the property, plant and equipment and right-of-use assets is based on the higher of its value in use and its fair value less cost of disposal. These calculations of the value in use are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic condition over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years. And the fair value less cost of disposal 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.

(b) Provision of ECL for financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 5(b).





4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Provision of ECL for financial assets at amortised cost (Continued)

As at 31 December 2019, there were trade receivables, loan receivables and other receivables approximately RMB5,743,000, RMB274,029,000 and RMB83,638,000 (2018: approximately RMB5,743,000, RMB260,000,000 and RMB52,971,000), respectively, net of allowances for expected credit losses of approximately RMB5,743,000, RMB2,110,000 and RMB5,060,000 (2018: approximately RMB74,000, RMB265,000 and RMB463,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, loan receivables and other receivables are disclosed in notes 21 and 22 respectively.

(c) Depreciation and amortisation

Items of property, plant and equipment (note 15) are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

(d) Fair value measurement of financial instruments

As at 31 December 2019, certain of the Group's financial assets, unlisted equity instruments amounting to approximately RMB500,000 (2018: approximately RMB1,500,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 5(c) for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Amortised cost		
— Trade receivables	—	5,669
— Loan receivables	271,919	259,735
— Other receivables and deposits paid	78,576	38,435
— Bank balances and cash	3,523	8,168
	354,018	312,007
Financial assets at FVPL	12,759	35,124
Financial assets at FVOCI	500	1,500
	367,277	348,631
Financial liabilities		
Amortised cost		
— Accruals and other payables	46,042	36,911
— Borrowings	—	22,690
— Note payable	8,886	—
— Lease liabilities	1,514	—
	56,442	59,601





5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management

The directors monitor and manage the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade receivables, loan receivables, other receivables and deposits paid, bank balances and cash, financial assets at FVPL, financial assets at FVOCI, accruals and other payables, lease liabilities, borrowings and note payable. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in the banks. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVPL during the reporting period. The management of the Group manages this exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date.

If market prices of equity investments have been 5% (2018: 5%) higher/lower, loss after tax for the year ended 31 December 2019 would decrease/increase by approximately RMB533,000 (2018: RMB1,466,000) as a result of the changes in fair value of investments at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, loan receivables, other receivables and deposit paid. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2019.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. As at 31 December 2019, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the Group's revenue is received from individual customers in relation to hog breeding, hog slaughtering, sale of pork products and sale of pipe system products. The Group's trade receivables arise from hog breeding, hog slaughtering, sale of pork products and sale of pipe system products to the customers. As at the end of the 2019 and 2018, the top three debtors and the largest debtor accounted for approximately 71.79% and 28.82% (2018: approximately 71.79% and 28.82%) of the Group's gross trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, the management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. The management makes periodic assessments on the recoverability of the trade receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 80 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2019			
Over 1 year past due	100%	5,743	5,743
As at 31 December 2018			
3 months to 1 year past due	1.29%	5,743	74

The closing loss allowances for including trade receivables, loan receivables and other receivables as at 31 December 2018 and 2019 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	Other financial assets at amortised cost RMB'000
At 1 January 2018-HKFRS 9	—	—
Increase in loss allowances recognised in profit or loss during the year	74	728
At 31 December 2018-HKFRS 9	74	728
Increase in loss allowances recognised in profit of loss during the year	5,669	6,442
At 31 December 2019-HKFRS 9	5,743	7,170

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 1 year past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

For loan receivables and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. Individual risk limits are set based on the internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

The Group reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Business risk

The Group is exposed to financial risks arising from changes in prices of hogs, the change in cost and supply of feed ingredients and the change in prices of pipe system products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and animal diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status.

Livestock health problems (e.g. African Swine Fever ("ASF")) could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

Save for the procurement of breeder hogs, the Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The management of the Group monitors the utilisation of borrowings on a regular basis.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Liquidity risk (Continued)

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Over five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2019							
Non-derivative financial liabilities							
Accruals and other payables	—	46,042	—	—	—	46,042	46,042
Note payable	2.00	132	247	9,101	—	9,480	8,886
Lease liabilities	7.64	556	556	469	225	1,806	1,514
		46,730	803	9,570	225	57,328	56,442

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than five years RMB'000	Over five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2018						
Non-derivative financial liabilities						
Accruals and other payables	—	36,911	—	—	36,911	36,911
Borrowings	30.00	23,781	—	—	23,781	22,690
		60,692	—	—	60,692	59,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

Fair value hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

The table below analyses the fair value of the Group's assets that are measured at fair value on a recurring basis. The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

As at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	12,759	—	—	12,759
Financial assets at FVOCI	—	500	—	500
	12,759	500	—	13,259

As at 31 December 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	35,124	—	—	35,124
Financial assets at FVOCI	—	1,500	—	1,500
	35,124	1,500	—	36,624



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value hierarchy (Continued)

Type	Fair value hierarchy	Valuation technique and key input
Financial assets at FVPL		
— Listed equity securities in HK	Level 1	Quoted bid prices in an active market
Financial assets at FVOCI		
— Unlisted equity investments	Level 2	Market approach — P/E ratio

Note:

There were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during the year.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

6. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the years ended 31 December 2019 and 2018 is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
<i>Recognition at a point in time</i>		
Sale of pork products	—	378,874
Sale of pipe system products	5,655	—
Others (note)	—	3,142
	5,655	382,016

Note:

Others include processed pork products and porkers and slaughtering service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6. REVENUE AND OTHER INCOME (Continued)

	2019 RMB'000	2018 RMB'000
Other income		
Interest income on:		
Bank deposits	20	1,120
Loan receivables	25,909	13,385
Amortisation of deferred revenue	25	25
Total interest income	25,954	14,530
Government grants (<i>note</i>)	1,450	1,371
Sundry income	1	638
	27,405	16,539

Note:

Government grants mainly represent incentive subsidies granted by the PRC government authorities. There are no conditions or limitations attached to these subsidies by the respective PRC government authorities.

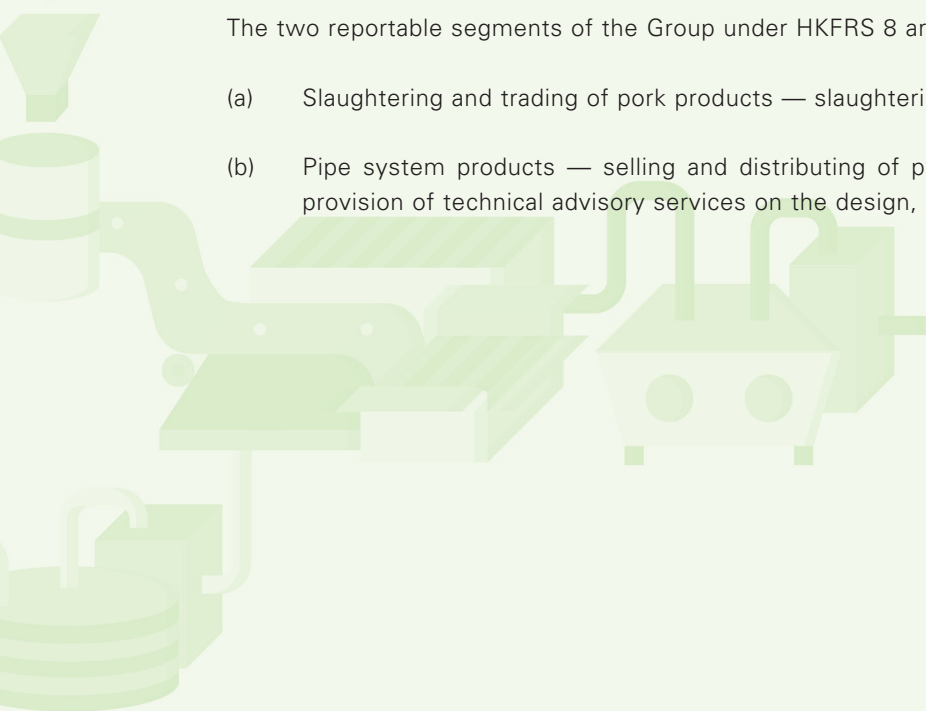
7. SEGMENT INFORMATION

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

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 2019			
Segment revenue	—	5,655	5,655
Segment results	(15,599)	(176)	(15,775)
Other gain or loss, net			1,171
Loss arising from change in fair value of financial assets at fair value through profit or loss			(5,759)
Impairment loss of property, plant and equipment			(94,674)
Impairment loss of right-of-use assets			(6,204)
Impairment loss of deposits and prepayments for property, plant and equipment			(43,979)
Impairment loss of deposits and prepayments for biological assets			(28,000)
Allowance for expected credit losses, net			(12,111)
Unallocated corporate income			25,910
Unallocated corporate expenses			(4,652)
Finance costs			(1,256)
Loss before taxation			(185,329)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Total RMB'000
Year ended 31 December 2018			
Segment revenue	382,016	—	382,016
Segment results	(61,004)	—	(61,004)
Other gain or loss, net			(57,684)
Gain arising from change in fair value of investment properties			2,110
Loss arising from change in fair value of financial assets at fair value through profit or loss			(18,715)
Impairment loss of property, plant and equipment			(207,640)
Allowance for expected credit losses, net			(802)
Unallocated corporate income			13,906
Unallocated corporate expenses			(8,239)
Finance costs			(8,346)
Loss before taxation			(346,414)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated corporate income, other gain or loss, net, gain arising from change in fair value of investment properties, 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 deposits and prepayments for property, plant and equipment, impairment loss of deposits and prepayments for biological assets, impairment loss of right-of-use assets, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Total RMB'000
At 31 December 2019			
Segment assets	371,878	2,074	373,952
Segment liabilities	(30,544)	(499)	(31,043)
At 31 December 2018			
Segment assets	568,087	—	568,087
Segment liabilities	(20,504)	—	(20,504)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Reconciliation of reportable segments' assets and liabilities:

	2019 RMB'000	2018 RMB'000
Assets		
Total assets of reportable segments	373,952	568,087
Unallocated and other corporate assets:		
Right-of-use assets	2,024	—
Loan receivables	271,919	259,735
Investment properties	—	17,121
Property, plant and equipment	258	378
Financial assets at fair value through profit of loss	12,759	35,124
Prepayments, deposits and other receivables	39,089	13,938
Tax recoverable	—	12
Bank balances and cash	1,873	265
Consolidated total assets	701,874	894,660
Liabilities		
Total liabilities of reportable segments	31,043	20,504
Unallocated and other corporate liabilities:		
Accruals and other payables	15,403	16,734
Note payable	8,886	—
Borrowings	—	22,690
Lease liabilities	1,412	—
Tax payable	6,240	—
Consolidated total liabilities	62,984	59,928

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 right-of-use assets, loan receivables, investment properties, property, plant and equipment, financial assets at fair value through profit of loss, prepayments, deposits and other receivables, tax recoverable 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, lease liabilities, borrowings, note payable and tax payable).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Other segment information

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2019				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure (<i>note (a)</i>)	—	—	1,487	1,487
Depreciation of property, plant and equipment	8,778	—	126	8,904
Depreciation of right-of-use assets	459	—	464	923
Year ended 31 December 2018				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure (<i>note (b)</i>)	57	—	—	57
Bad debts written-off	350	—	—	350
Amortisation of prepaid lease payment	505	—	—	505
Depreciation of property, plant and equipment	35,018	—	121	35,139

Notes:

- (a) During the year ended 31 December 2019, capital expenditure consists of additions of right-of-use assets.
- (b) During the year ended 31 December 2018, capital expenditure consists of additions of property, plant and equipment.

Revenue from major products and services

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

	2019 RMB'000	2018 RMB'000
Slaughtering and trading of pork products	—	382,016
Pipe system products	5,655	—
	5,655	382,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Information about geographical areas

During the year, the Group was mainly operating in the PRC and Japan (2018: the PRC). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2019 RMB'000	2018 RMB'000
Revenue		
— The PRC	—	382,016
— Japan	5,655	—
	5,655	382,016

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 Japan, which accounted for 100% of the total revenue during the year ended 31 December 2019 (2018: 100% in the PRC).

Information about major customers

For the year ended 31 December 2019, revenue generated from one (2018: one) customer 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 year ended 31 December 2019 (2018: none).

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

	2019 RMB'000	2018 RMB'000
Customer A (note)	—	52,047
Customer B (note)	5,655	—

Note:

The revenue contributed by Customer A during the year ended 31 December 2019 and Customer B during the year ended 31 December 2018 was less than 10% of the Group's revenue.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2019 and 2018 is as follows:

	2019 RMB'000	2018 RMB'000
Gain on disposal of subsidiaries (note 27(a))	1,171	8,069
Write-off of inventories	—	(32,476)
Write-off of biological assets	—	(33,277)
	1,171	(57,684)

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on:		
— Borrowings wholly repayable within five years	1,224	8,346
— Lease liabilities	32	—
	1,256	8,346

10. TAXATION

	2019 RMB'000	2018 RMB'000
Current tax – Hong Kong		
Charge for the year	—	—
Over-provision in prior years	—	(3,449)
	—	(3,449)
Current tax – PRC		
Charge for the year	6,240	—
Income tax charge/(credit)	6,240	(3,449)

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% (2018: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2018: 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10. TAXATION (Continued)

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 2018 and 2019.

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.

The income tax expenses for the year can be reconciled to the loss before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Loss before taxation	(185,329)	(346,414)
Tax at the applicable income tax rate	(44,813)	(84,144)
Tax exemption for subsidiary operating in the PRC	—	(2,514)
Tax effect of income not taxable for tax purpose	(905)	(719)
Tax effect of expenses not deductible for tax purpose	43,866	69,020
Tax effect of tax loss not recognised	8,092	18,357
Over-provision in prior years	—	(3,449)
Income tax expenses/(credit)	6,240	(3,449)

In accordance with the accounting policy set out in note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB17,507,000 (2018: approximately RMB9,415,000) as it is not probable that the future taxable profits against which the losses can be utilised will be available in relevant tax jurisdiction and entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. LOSS FOR THE YEAR

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

	2019 RMB'000	2018 RMB'000
Directors' emoluments:		
Directors' fee	294	378
Salaries, allowances and benefits in kind	1,168	1,117
Retirement scheme contributions	59	60
Equity-settled share-based payment	—	260
	1,521	1,815
Other staff costs:		
Salaries and other benefits	2,545	14,243
Retirement scheme contributions	270	3,033
Equity-settled share-based payment	—	1,488
Total staff costs	4,336	20,579
Auditors' remuneration		
— Audit service	1,000	1,000
Bad debts written-off	—	350
Depreciation of property, plant and equipment	8,904	35,139
Depreciation of right-of-use assets	923	—
Amortisation of prepaid lease payments	—	505
Equity-settled share-based payment in respect of consultants	—	1,489
Cost of inventories recognised as expenses	—	385,447
Operating lease rental expenses in respect of rented premises	—	628
An analysis of the loss arising from change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised gain on disposal of financial assets at FVPL	(3,791)	(7,817)
Unrealised loss on financial assets at FVPL	9,550	26,532
	5,759	18,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2019 RMB'000	2018 RMB'000
Directors' fees	294	378
Other emoluments:		
Salaries, allowances and benefits in kind	1,168	1,117
Retirement scheme contributions	59	60
Equity-settled share-based payment	—	260
	1,227	1,437
	1,521	1,815

Details for the emoluments of each director of the Company during the reporting period are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2019				
Executive directors:				
Mr. Chan Chi Ching	—	317	16	333
Dr. Liu Ta-pei (<i>note (f)</i>)	—	317	16	333
Ms. Lam Ka Lee (<i>note (c)</i>)	—	217	11	228
Mr. Suen Man Fung (<i>note (b)</i>)	—	317	16	333
Independent non-executive directors:				
Mr. Deng Jinping (<i>note (d)</i>)	—	—	—	—
Mr. Wong King Shiu, Daniel	106	—	—	106
Mr. Wong Yuk Lun, Alan	106	—	—	106
Mr. Chan Hin Hang (<i>note (e)</i>)	82	—	—	82
	294	1,168	59	1,521



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
2018					
Executive directors:					
Mr. Ding Biyan (<i>note (a)</i>)	76	66	8	—	150
Mr. Chan Chi Ching	—	304	15	260	579
Dr. Liu Ta-pei (<i>note (f)</i>)	—	304	15	—	319
Ms. Lam Ka Lee (<i>note (c)</i>)	—	304	15	—	319
Mr. Suen Man Fung (<i>note (b)</i>)	—	139	7	—	146
Independent non-executive directors:					
Mr. Deng Jinping (<i>note (d)</i>)	100	—	—	—	100
Mr. Wong King Shiu, Daniel	101	—	—	—	101
Mr. Wong Yuk Lun, Alan	101	—	—	—	101
	378	1,117	60	260	1,815

Notes:

- (a) Mr. Ding Biyan was resigned as the director of the Company on 30 June 2018.
- (b) Mr. Suen Man Fung was appointed as the director of the Company on 17 July 2018.
- (c) Ms. Lam Ka Lee was resigned as the director of the Company on 6 September 2019.
- (d) Mr. Deng Jinping was resigned as the independent non-executive director of the Company on 22 March 2019.
- (e) Mr. Chan Hin Hang was appointed as the independent non-executive director of the Company on 22 March 2019.
- (f) Dr. Liu Ta-pei was resigned as the director of the Company on 17 February 2020.

The executive directors' emoluments shown were mainly for their service in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown was mainly for their services as directors of the Company.

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 December 2019 and 2018 respectively. None of the directors agreed to waive or waived any emoluments during the year (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

13. EMPLOYEES EMOLUMENTS

The five highest paid individuals during the year included three executive directors (2018: one). Details of whose emoluments are set out above in note 12. The detail of the emoluments of the remaining two (2018: four) highest paid individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	883	1,077
Retirement scheme contributions	32	46
Equity-settled share-based payment	—	1,488
	915	2,611

The number of non-director highest paid employees whose emoluments fell within the following band is as follows:

	2019	2018
Nil to RMB876,000 (equivalents to HK\$1,000,000)	2	4

During the reporting period, no emoluments were paid by the Group to the directors or any of the five highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(191,516)	(342,953)
	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	880,838	872,726

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB191,516,000 (2018: approximately RMB342,953,000) and the weighted average number of 880,838,000 (2018: 872,726,000) ordinary shares in issue during the year ended 31 December 2019.

Basic and diluted loss per share for the years ended 31 December 2019 and 2018 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2019 and 2018 and, therefore, be anti-dilutive.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2018	583,272	160,258	5	9,118	2,355	755,008
Additions	—	—	—	57	200	257
Disposal of a subsidiary	(140,448)	(16,582)	—	(5,839)	(200)	(163,069)
Exchange realignment	3	—	—	31	—	34
As at 31 December 2018 and at 1 January 2019	442,827	143,676	5	3,367	2,355	592,230
Exchange realignment	1	—	—	13	—	14
As at 31 December 2019	442,828	143,676	5	3,380	2,355	592,244
Accumulated depreciation						
As at 1 January 2018	55,012	45,300	5	4,377	—	104,694
Provided for the year	21,073	13,654	—	412	—	35,139
Disposal of a subsidiary	(12,161)	(1,593)	—	(3,233)	—	(16,987)
Impairment loss recognised	119,870	86,315	—	1,455	—	207,640
Exchange realignment	1	—	—	10	—	11
As at 31 December 2018 and at 1 January 2019	183,795	143,676	5	3,021	—	330,497
Provided for the year	8,788	—	—	116	—	8,904
Impairment loss recognised	94,674	—	—	—	—	94,674
Exchange realignment	1	—	—	7	—	8
As at 31 December 2019	287,258	143,676	5	3,144	—	434,083
Net book values						
As at 31 December 2019	155,570	—	—	236	2,355	158,161
As at 31 December 2018	259,032	—	—	346	2,355	261,733

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account of their residual value, on a straight-line basis at the following rates per annum:

Buildings	4.75%
Plant and machinery	9.50%
Motor vehicles	24%
Furniture, fixtures and equipment	19%–31.67%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss recognised in the current year:

During the year of 2019 and until the date of the consolidated financial statements, the Group is taking cautious manner in performing disinfection and harmless treatment in order to prevent the ASF infection among our slaughterhouse and breeding farms. The whole operations of the production and sale of daily consumption pork and related meat food products for domestic market are still in suspension. Following on the suspension, the Group had taken steps for the implementation of disinfection treatment to avoid any hogs being infected again when resuming of our operations. However, the outbreak of ASF is still affecting the other countries, and especially, such outbreak has never been stopped in the PRC.

In view of the current situation of the slaughterhouse and breeding farms and the spread of ASF, the Group considered it was an indication that the property, plant and equipment of the slaughterhouse and breeding farms, right-of-use assets and deposits and prepayments for property, plant and equipment were impaired. The Group carried out an impairment testing on the property, plant and equipment of the slaughterhouse and breeding farms, right-of-use assets and deposits and prepayments for property, plant and equipment. The recoverable amount of the property, plant and equipment for the slaughterhouse and breeding farms, right-of-use assets and deposits and prepayments for property, plant and equipment has been determined based on a value-in-use calculation (2018: value-in-use calculation). The value-in-use of property, plant and equipment, right-of-use assets and deposits and prepayments for property, plant and equipment were estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets. The value-in-use calculation using cash flow projections according to financial budgets covering an five-year period approved by the management and with pre-tax discount rate of 18.71% (2018: 17.49%). Cash flows beyond five-year period have been extrapolated using a steady 3% (2018: 3%) terminal growth rate.





15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss recognised in the current year: (Continued)

The other key assumptions used in the estimation of value-in-use of the property, plant and equipment of the slaughterhouse and breeding farms, right-of-use assets and deposits and prepayments for property, plant and equipment are as follows:

- The availability of finance will not be a constraint on the forecast growth of the slaughterhouse and breeding farms in accordance with the business plan;
- Interest rates and exchange rates in the localities for the operation of the slaughterhouse and breeding farms will not differ materially from those presently prevailing;
- Save for those proposed changes on taxation policies announced by the Tax Bureau, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the slaughterhouse and breeding farms;
- The slaughterhouse and breeding farms shall have uninterrupted rights to operate its existing business during the unexpired term of its authorised enterprise operating period;
- The profit forecasts of the slaughterhouse and breeding farms revealed to us by the Company have been compiled based on fair and reasonable assumptions that can be materialised by the slaughterhouse and breeding farms;
- The production facilities, systems and the technology utilised by the units in carrying out its existing businesses do not infringe any relevant regulations and law;
- There will be no major change in existing political, legal, economic conditions in which slaughterhouse and breeding farms are being operated.

The values assigned to key assumptions are consistent with external information sources.

As at 31 December 2019, the value-in-use amount of the property, plant and equipment of slaughterhouse and breeding farms, right-of-use assets and deposits and prepayments for property, plant and equipment were approximately RMB155,548,000, RMB10,193,000 and RMB72,259,000, respectively (2018: property, plant and equipment was approximately RMB252,000,000) and impairment loss of property, plant and equipment of slaughterhouse and breeding farms, right-of-use assets and deposits and prepayments for property, plant and equipment approximately RMB94,674,000, RMB6,204,000 and RMB43,979,000, respectively (2018: impairment loss of property, plant and equipment of approximately RMB207,640,000) has been recognised during the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

16. PREPAID LEASE PAYMENTS

	2018 RMB'000
Cost	
At the beginning of the year	38,669
Additions	33
Disposal of a subsidiary	(18,562)
At the end of the year	20,140
Accumulated amortisation	
At the beginning of the year	5,114
Additions	505
Disposal of a subsidiary	(2,331)
At the end of the year	3,288
Net book values	16,852

Analysed for reporting purposes as:

	2018 RMB'000
Non-current assets	16,397
Current assets	455
	16,852

The prepaid lease payments are land use rights located in the PRC which are under medium term lease.

No prepaid lease payments were pledged to bank to secure the Group's banking facilities.

Due to the adoption of HKFRS 16, effective on 1 January 2019, the carrying amount of prepaid lease payments of approximately RMB16,852,000 were reclassified to right-of-use assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17. RIGHT-OF-USE ASSETS

	Office premises RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
As at 31 December 2018 (Audited)	—	—	—
Impact on initial application of HKFRS 16 (note 2)	483	20,140	20,623
As at 1 January 2019 (Restated)	483	20,140	20,623
Additions	1,487	—	1,487
Exchange realignment	9	—	9
As at 31 December 2019	1,979	20,140	22,119
Accumulated depreciation			
As at 31 December 2018 (Audited)	—	—	—
Impact on initial application of HKFRS 16 (note 2)	—	3,288	3,288
As at 1 January 2019 (Restated)	—	3,288	3,288
Charge for the year	468	455	923
Impairment for the year	—	6,204	6,204
Exchange realignment	9	—	9
As at 31 December 2019	477	9,947	10,424
Carrying amounts			
As at 31 December 2019	1,502	10,193	11,695
As at 1 January 2019	483	16,852	17,335

The lease terms of the Group's office premises and land use rights range from 2 to 50 years for the year ended 31 December 2019. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight-line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term.

Their useful lives are as follows:

Office premises	3 years
Land use rights	2–50 years

During the year ended 31 December 2019, the Group leases office premises for self-own use for its operations. Lease liabilities of approximately RMB1,487,000 are recognised with related right-of-use assets for the year ended 31 December 2019. Lease contracts are entered into for fixed term of three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17. RIGHT-OF-USE ASSETS (Continued)

The lease agreements do not impose any covenants other than the security interests in the leased office premises that are held by the lessor. Leased office premises may not be used as security for borrowing purposes.

Details of the impairment assessment of right-of-use assets are set out in note 15.

18. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
<i>Fair value</i>		
At the beginning of the year	17,121	14,158
Disposal of subsidiaries (<i>note 27(a)</i>)	(17,121)	—
Gain arising from change in fair value of investment properties	—	2,110
Exchange realignment	—	853
At the end of the year	—	17,121

Please refer to note 27(a) for details of disposal of subsidiaries.

The investment properties shown above comprises:

	2018 RMB'000
In Hong Kong	
— medium-term leases	17,121

The fair value of the Group's investment properties as at 31 December 2018 at RMB17,121,000 has been arrived at on the basis of a valuation for Hong Kong properties carried out on the date by Valor Appraisal & Advisory Limited, independent qualified professional valuer not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

In estimating the fair value of the properties, the highest and best use of the properties are their current use.

The fair value was determined based on market basis on the vacant possession and the direct comparison method was adopted where comparison based on prices realised on actual sales of comparable properties was made. Comparable properties of similar sizes, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; and (ii) hold discussion with the independent valuer.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurements are categorised into level 2

	2018 RMB'000
Recurring fair value measurement for:	
— Office units located in Hong Kong	17,121

There was no transfers of fair value measurements between Level 1 and Level 3 and no transfer into or out of Level 3.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Unlisted equity investment in the PRC	500	1,500

Hunan Huisheng entered into an agreement with Yueyang Jiuding Agriculture Co., Ltd.* (岳陽九鼎農牧有限公司) to acquire 6% of equity interest in Changde Jiuding Agriculture Co., Ltd* (常德九鼎農牧有限公司) ("Changde Jiuding") at an aggregate consideration of RMB1,500,000. Changde Jiuding is principally engaged in the production of feeds. The transaction was completed in April 2013.

On 20 April 2015, the shareholders of Changde Jiuding injected an additional capital of RMB10,000,000 which had immediately diluted Hunan Huisheng equity interest in Changde Jiuding from 6% to 5.8%.

The directors of the Company do not consider that the Group is able to exercise significant influence over Changde Jiuding as the remaining equity interest of 94.2% is held by 12 shareholders in 2017, who also manage the day-to-day operations of Changde Jiuding.

* For identification purpose only

Please refer to note 5(c) for the fair value measurement of financial assets at FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Held-for-trading investments:		
Equity securities listed in Hong Kong (<i>note</i>)	12,759	35,124

Note:

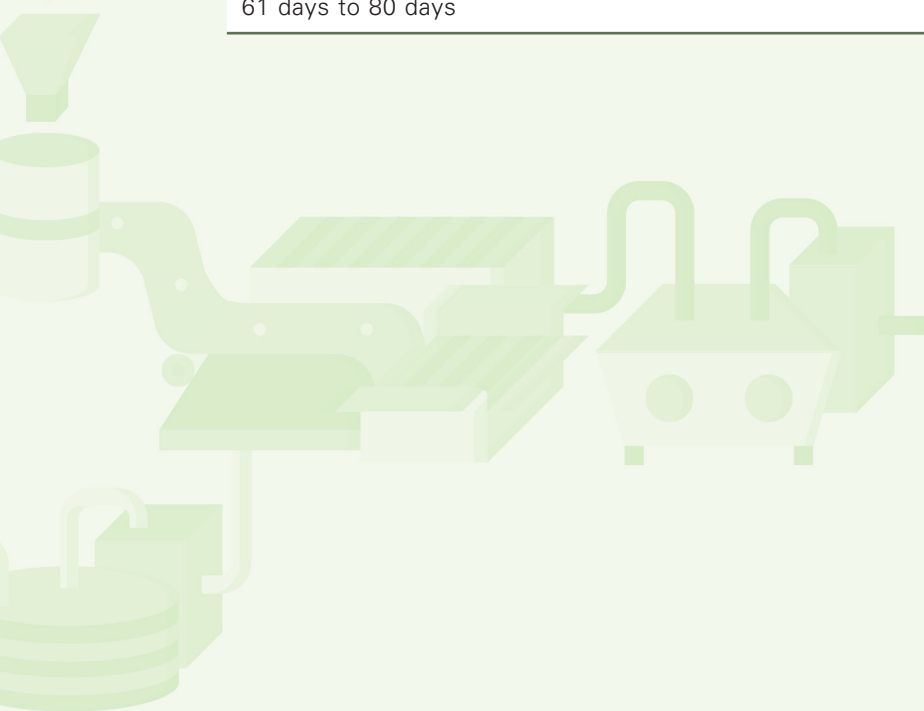
At 31 December 2019, the fair value of the listed equity securities, amounting to approximately RMB12,759,000 (2018: approximately RMB35,124,000), was determined based on the quoted market bid prices available on the Stock Exchange.

21. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	5,743	5,743
Less: Allowance for expected credit losses	(5,743)	(74)
	—	5,669

The Group offered credit period on sale of pork products of within 80 days. The aging analysis of trade receivables, net of allowance for expected credit losses, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
61 days to 80 days	—	5,669





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

21. TRADE RECEIVABLES (Continued)

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

	2019 RMB'000	2018 RMB'000
Balance at the beginning of the year	74	—
Allowance for credit losses recognised	5,669	74
Balance at the end of the year	5,743	74

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment 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.

Details of the assessment for expected credit losses are set out in note 5(b).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Deposits and prepayments for property, plant and equipment (note (a))	72,259	116,238
Deposits and prepayments for biological assets (note (b))	92,000	120,000
Loan receivables (note (c))	274,029	260,000
Other prepayments, deposits and other receivables (note (d))	84,118	52,971
	522,406	549,209
Less: Allowance for expected credit losses	(7,170)	(728)
	515,236	548,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Analysed for reporting purposes as:

	2019 RMB'000	2018 RMB'000
Non-current assets	422,257	495,973
Current assets	92,979	52,508
	515,236	548,481

Notes:

- (a) The deposits and prepayments for property, plant and equipment as at 31 December 2019 and 2018 were mainly for the purchase of equipment of production facilities in the Group's slaughterhouse and breeding farms.
- Details of the impairment assessment of deposits and prepayments for property, plant and equipment are set out in note 15.
- (b) As at 31 December 2019, the directors evaluated the financial performance of the Group's cash generating unit of slaughtering and trading of pork products in view of the current situation of the slaughterhouse and breeding farms and the spread of ASF as explained in note 15. An impairment loss of RMB28,000,000 was recognised for the year which represented the write-down of deposits and prepayments for biological assets to the recoverable amount. The directors determined the recoverable amount from its fair value less costs of disposal based on the management's expectations of realising the deposits and prepayments for biological assets.
- (c) As at 31 December 2019, there was loan receivables of approximately RMB274,029,000 (2018: approximately RMB260,000,000) net of allowances for expected credit losses of approximately RMB2,110,000 (2018: approximately RMB265,000). The loan receivables were unsecured, interest bearing at 0.8%–2.0% (2018: 0.8%) per month and repayable within one to five years (2018: five years).
- (d) As at 31 December 2019, there were interest receivables of approximately RMB38,802,000 (2018: approximately RMB13,385,000) net of allowances for expected credit losses of approximately RMB554,000 (2018: approximately RMB121,000).
- (e) Details of the assessment for expected credit losses are set out in note 5(b).

23. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2019 RMB'000	2018 RMB'000
Bank balances and cash	3,523	8,168



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

23. BANK BALANCES AND CASH (Continued)

As at 31 December 2019, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB1,667,000 (2018: approximately RMB7,909,000). The RMB is not freely convertible into other currencies, however, under Mainland China's "Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Regulations", the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Bank balances and cash carry interest at prevailing market saving rates is 0.1% to 0.39% per annum as at 31 December 2019 (2018: 0.30% to 0.35% per annum).

Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Note payable RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2018 (Audited)	63,313	—	—	63,313
Cash flows	58,877	—	—	58,877
Disposal of a subsidiary	(99,500)	—	—	(99,500)
Net debt as at 31 December 2018 (Audited)	22,690	—	—	22,690
Impact on initial application of HKFRS 16 (note (2))	—	—	483	483
As at 1 January 2019 (Restated)	22,690	—	483	23,173
Cash flows	(22,782)	8,683	(456)	(14,555)
Interest paid	(1,096)	(92)	(32)	(1,220)
Other changes:				
New leases entered	—	—	1,487	1,487
Interest expense	1,096	128	32	1,256
Exchange realignment	92	167	—	259
Net debt as at 31 December 2019	—	8,886	1,514	10,400

24. ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Other payables for property, plant and equipment	100	100
Accruals and other payables (note)	45,942	36,811
	46,042	36,911

Note:

All accruals and other payables are expected to be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25. LEASE LIABILITIES

	As at 31 December 2019		As at 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	464	556	381	394
After 1 year but within 2 years	949	1,025	1	6
After 2 years but within 5 years	101	225	101	225
	1,514	1,806	483	625
Less: total future interest expenses		(292)		(142)
Present value of lease liabilities		1,514		483

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Non-current portion	1,050	102
Current portion	464	381
	1,514	483

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

Total cash outflow for lease during the year ended 31 December 2019 was approximately RMB456,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

26. BORROWINGS AND NOTE PAYABLE

	2019 RMB'000	2018 RMB'000
Unsecured:		
Bank borrowings	—	17,560
Other borrowings	—	5,130
Note payable	8,886	—
	8,886	22,690

	2019 RMB'000	2018 RMB'000
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	—	22,690
Within two to fifth years	8,886	—
	8,886	22,690

The carrying amount of the Group's borrowings/note payable are all originally denominated in HK\$.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2019 %	2018 %
Fixed rate borrowings	2.00	30.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Simple Rise Inc

During the year ended 31 December 2019, the Group disposed of its entire equity interests in subsidiaries, Simple Rise Inc and its subsidiary ("Disposed Subsidiaries") to an independent third party. The Disposed Subsidiaries are incorporated in BVI and Hong Kong which are engaged in property investment. The disposal was completed on 6 August 2019.

The net assets of the Disposed Subsidiaries at the date of disposal were as follow:

Consideration received:

	RMB'000
Cash received	17,521

Analysis of assets and liabilities over which control was lost:

	RMB'000
Investment properties	17,521
Prepayments, deposits and other receivables	5
Bank balances and cash	—*
Accruals and other payables	(6)
Amount due to the immediate holding company	(168)
Net assets disposed of	17,352

* The balance represents an amount less than RMB1,000.

Gain on disposal of subsidiaries:

	RMB'000
Consideration received	17,521
Net assets disposed of	(17,352)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss	1,002
Gain on disposal (<i>note 8</i>)	1,171
Net cash inflow arising on disposal	17,521



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of Changde Hui Bang

During the year ended 31 December 2018, the Group disposed of its entire equity interests in a subsidiary, 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*) to an independent third party. The disposed subsidiary is incorporated in the PRC which is engaged in breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming. The disposal was completed on 18 May 2018.

The net assets of the disposed subsidiary at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	146,082
Prepaid lease payments	16,231
Prepayments, deposits and other receivables	17,278
Bank balances and cash	212
Accruals and other payables	(50,372)
Borrowings	(99,500)
	29,931
Gain on disposal (note 8)	8,069
	38,000
Satisfied by:	
Cash consideration receivables	38,000
Net cash outflow from disposal of a subsidiary:	
Bank balances and cash	(212)

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

28. DEFERRED REVENUE

	2019 RMB'000	2018 RMB'000
Arising from government grant (<i>note</i>)	302	327

Analysed for reporting purposes as:

	2019 RMB'000	2018 RMB'000
Non-current liabilities	277	302
Current liabilities	25	25
	302	327

Note:

As at the end of each reporting period, the Group has unused government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised upon construction of qualifying assets. The government grant is not repayable.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

29. 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 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,500,000,000	15,000	11,810
Issued and fully paid:			
Balances as at 1 January 2018	868,470,000	8,685	7,200
Issue of shares under exercise of share options (note)	12,368,000	123	108
Balances as at 31 December 2018, 1 January 2019 and 31 December 2019	880,838,000	8,808	7,308

Note:

On 17 July 2018, the Company announced to grant a total of 45,788,000 share options with an exercise price of HK\$0.207, of which 3,684,000 and 8,684,000 share options were exercised on 24 July 2018 and 11 September 2018 respectively. Details of the grant of share options are set out in the announcement of the Company dated 17 July 2018.

30. SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 February 2014 (the "Share Option Scheme"), which was effective upon listing. The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers and customers of the Company or any of its subsidiaries) for their contribution to the Group. The Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of which the Share Option Scheme is adopted.

The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30. SHARE OPTION SCHEME (Continued)

A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, are subject to shareholders' approval in advance in a general meeting.

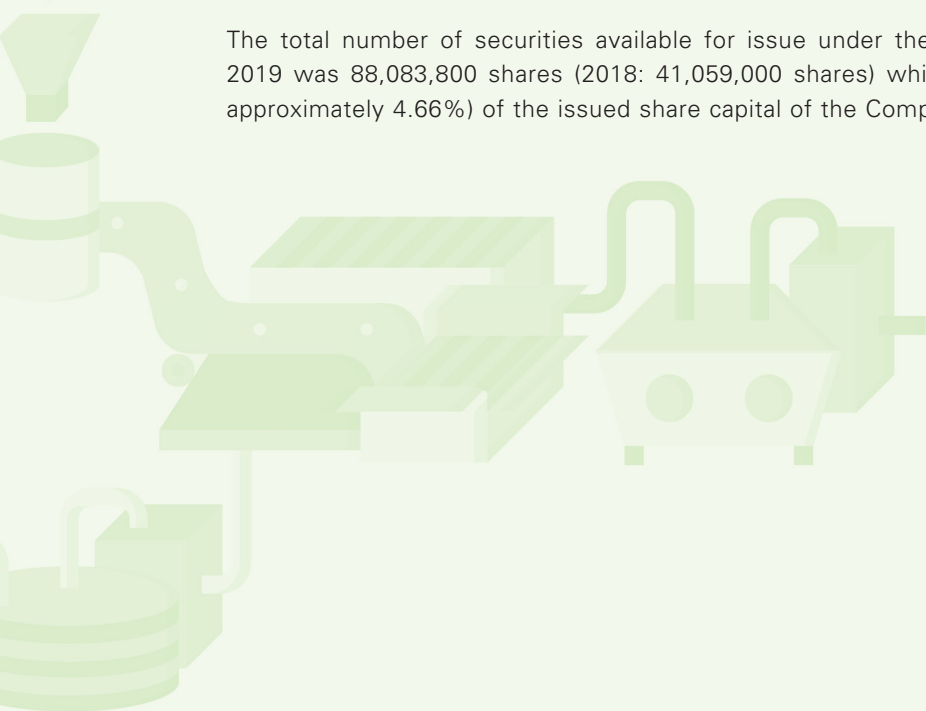
The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

On 17 July 2018, the Company granted a total of 45,788,000 options with the rights to subscribe 45,788,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. A total of 3,684,000 options were granted to a Director.

Neither share options were granted nor exercised during the year ended 31 December 2019.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2019 was 88,083,800 shares (2018: 41,059,000 shares) which represented approximately 10.0% (2018: approximately 4.66%) of the issued share capital of the Company.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30. SHARE OPTION SCHEME (Continued)

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

Name of category of participants	Number of share option					Date of grant of share options (dd/mm/yyyy)	Exercise period of share option (dd/mm/yyyy)	Exercise price of share option	Price of Company's share at grant date of share option
	At 1 January 2018	Grant during the year	Exercise of share options	At 31 December 2018 and 1 January 2019	At 31 December 2019				
Directors									
Chan Chi Ching	5,000,000	–	–	5,000,000	5,000,000	10/04/2017	10/04/2017 to 09/04/2027	HK\$0.510	HK\$0.510
	–	3,684,000	–	3,684,000	3,684,000	17/07/2018	17/07/2018 to 16/07/2028	HK\$0.207	HK\$0.203
	5,000,000	3,684,000	–	8,684,000	8,684,000				
Other eligible participants									
Employees	5,000,000	–	–	5,000,000	5,000,000	10/04/2017	10/04/2017 to 09/04/2027	HK\$0.510	HK\$0.510
	–	21,052,000	–	21,052,000	21,052,000	17/07/2018	17/07/2018 to 16/07/2028	HK\$0.207	HK\$0.203
	5,000,000	21,052,000	–	26,052,000	26,052,000				
Consultants	30,000,000	–	–	30,000,000	30,000,000	10/04/2017	10/04/2017 to 09/04/2027	HK\$0.510	HK\$0.510
	–	21,052,000	(12,368,000)	8,684,000	8,684,000	17/07/2018	17/07/2018 to 16/07/2028	HK\$0.207	HK\$0.203
	30,000,000	21,052,000	(12,368,000)	38,684,000	38,684,000				
	35,000,000	42,104,000	(12,368,000)	64,736,000	64,736,000				
	40,000,000	45,788,000	(12,368,000)	73,420,000	73,420,000				
Weighted average exercise price (HK\$)	0.510	0.207	0.207	0.373	0.373				

The fair value of the share option granted during the year ended 31 December 2018 was approximately RMB3,237,000 (equivalent to approximately HK\$3,836,000), of which the recognised share option expenses of RMB3,237,000 during the year ended 31 December 2018.

Options that were granted during the year ended 31 December 2018 have a term of ten years commencing from 17 July 2018 and shall become exercisable from the date of acceptance of the option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30. SHARE OPTION SCHEME (Continued)

As the fair value of services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

During the year ended 31 December 2018, 12,368,000 share options were exercised. In respect of the share options exercised during the year ended 31 December 2018, the average market share price at the dates of exercise was HK\$0.18.

The fair value of the share options is determined using the Binominal Model. The Binominal Model taking into account the terms and conditions upon which the options were granted. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The fair value of the options determined at the grant date was approximately HK\$3,836,000, approximately HK\$0.08 each option.

Inputs into the model

	2018	2017
Dividend yield (%)	0.66%	0.88%
Expected volatility (%)	38.72%	42.06%
Risk free interest rate (%)	2.13%	1.46%
Expected life of options (year)	10	10
Stock price (HK\$ per share)	0.203	0.510

At the end of reporting period of 2019 and 2018, the Company had 73,420,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would under the present capital structure of the Company, result in the issue of 73,420,000 additional ordinary shares of the Company and additional share capital of HK\$734,200 during the year ended 31 December 2019 and 2018.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
Non-current asset			
Investment in subsidiaries		— *	14,158
Current assets			
Financial assets at fair value through profit or loss		12,759	35,124
Prepayments		490	153
Amounts due from subsidiaries		37,440	411,006
Bank balances and cash		1,568	147
		52,257	446,430
Current liabilities			
Accruals and other payables		5,623	7,203
Amounts due to subsidiaries		7,287	1,066
Borrowings		—	22,690
		12,910	30,959
Net current assets		39,347	415,471
Total assets less current liabilities		39,347	429,629
Non-current liability			
Note payable		8,985	—
Net assets		30,362	429,629
Equity			
Share capital	29	7,308	7,308
Reserves	32	23,054	422,321
Total equity		30,362	429,629

* The amount represents less than RMB1,000.

The financial statement was approved and authorised for issue by the board of directors of the Company on 5 June 2020 and are signed on its behalf by:

Chan Chi Ching
Executive Director

Suen Man Fung
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32. RESERVES OF THE COMPANY

	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2018	442,233	7,618	1,097	(24,959)	425,989
Profit/(loss) and total comprehensive loss for the year	—	—	21,623	(30,667)	(9,044)
Issue of shares under exercise of share options (note 29)	3,014	(875)	—	—	2,139
Recognition of equity-settled share-based payment expenses (note 30)	—	3,237	—	—	3,237
As at 31 December 2018 and 1 January 2019	445,247	9,980	22,720	(55,626)	422,321
Profit/(loss) and total comprehensive loss for the year	—	—	3,082	(402,349)	(399,267)
As at 31 December 2019	445,247	9,980	25,802	(457,975)	23,054

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years ended 31 December 2019 and 2018.

The capital structure of the Group consists of total borrowings and equity attributable to owners of the Company, comprising borrowings, note payable, share capital, reserves and retained earnings as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends, injection of capital as well as making new borrowings.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33. CAPITAL RISK MANAGEMENT (Continued)

The following is the gearing ratio at the end of each reporting period:

	2019 RMB'000	2018 RMB'000
Total borrowings (<i>note (a)</i>)	8,886	22,690
Total equity attributable to the owners of the Company (<i>note (b)</i>)	635,476	831,265
Gearing ratio	1.4%	2.7%

Notes:

- (a) Total borrowings represent borrowings and note payable.
- (b) Total equity attributable to the owners of the Company includes all share capital and reserves at the end of each reporting period.

34. RETIREMENT BENEFIT PLANS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (2018: HK\$:1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (2018: HK\$1,500) (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries and an associate in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries and an associate were required to contribute a certain percentage of the payroll of their staff to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year. And at the end of the reporting period, there was no forfeited contribution available to reduce the contributions payable in the future years.

The total costs charged to profit or loss of approximately RMB329,000 (2018: approximately RMB3,093,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

35. OPERATING LEASE COMMITMENTS

As lessee

As at 31 December 2018, the total future minimum lease payment under non-cancellable operating lease are payable as follows:

	2018 RMB'000
Within 1 year	410
In the second to fifth year inclusive	73
After five years	175
	658

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term from two to five years and rentals are fixed over the lease terms and do not include contingent rentals.

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36. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	28,392	28,392

37. MATERIAL RELATED PARTY TRANSACTIONS

Disclosed elsewhere in the consolidated 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 years ended 31 December 2019 and 2018 is set out in note 12.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Country of incorporation/ registration	Principal place of business and date of incorporation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the Company		Principal activities
				Direct %	Indirect %	
Quick Choice Holdings Limited	BVI	Hong Kong, 8 June 2016	Ordinary shares US\$1	100	—	Investment holding
Huisheng Enterprise Holdings Limited	BVI	Hong Kong, 19 August 2016	Ordinary shares US\$1	100	—	Investment holding
Fully Everfield Limited	BVI	Hong Kong, 16 December 2016	Ordinary shares US\$1	100	—	Investment holding
Hongkong Huisheng Meat Food Limited	Hong Kong	Hong Kong, 14 March 2006	Ordinary shares HK\$5,000,000	—	100	Investment holding
Excellence Circle Limited	Hong Kong	Hong Kong, 3 June 2016	Ordinary shares HK\$1	—	100	Inactive
Huisheng Enterprise (Hong Kong) Limited	Hong Kong	Hong Kong, 6 September 2016	Ordinary shares HK\$1	—	100	Money lending business
Profitable Management Limited	Hong Kong	Hong Kong, 22 July 2016	Ordinary shares HK\$1	—	100	Provision of administrative services
Hunan Huisheng*	The PRC	The PRC, 18 December 2007	Registered capital RMB136,700,000	—	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited* ("Linli Huisheng")	The PRC	The PRC, 19 August 2013	Registered capital RMB12,000,000	—	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited*	The PRC	The PRC, 17 September 2013	Registered capital RMB16,000,000	—	71.9	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Changde City Dingcheng District Huisheng Meat Products Company Limited*	The PRC	The PRC, 20 October 2014	Registered capital RMB15,000,000	—	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Taoyuan County Huisheng Meat Products Company Limited* ("Taoyuan Huisheng")	The PRC	The PRC, 18 September 2014	Registered capital RMB15,000,000	—	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Century Classic Limited	BVI	Hong Kong, 17 October 2017	Ordinary shares US\$1	—	100	Investment holding
株式会社Deson Japan	Japan	Japan, 1 July 2010	Registered capital JPY10,000,000	—	70	Selling and distributing of pipe system products, conducting in the provision of technical advisory services on the design, application, implementation and installation

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38. PRINCIPAL SUBSIDIARIES (Continued)

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

39. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Up to the date of these consolidated financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. 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.

40. COMPARATIVES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

In addition, certain comparative figures have been reclassified to be consistent with the current year’s presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 5 June 2020.





FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2019

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements in this annual report, is set out below:

RESULTS

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	5,655	382,016	673,987	1,154,016	1,514,428
Cost of sales	(5,570)	(389,254)	(645,985)	(1,044,712)	(1,346,758)
Gross profit/(loss)	85	(7,238)	28,002	109,304	167,670
Other income	27,405	16,539	1,848	4,016	5,777
Other gain or loss, net	1,171	(57,684)	—	—	—
Gain arising from change in fair value of investment properties	—	2,110	13	—	—
(Loss)/gain arising from change in fair value less costs to sell of biological assets	—	—	(5,644)	16,259	(363)
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss	(5,759)	(18,715)	33,110	27,709	—
Impairment loss of property, plant and equipment	(94,674)	(207,640)	—	—	—
Impairment loss of right-of-use assets	(6,204)	—	—	—	—
Impairment loss of deposits and prepayments for property, plant and equipment	(43,979)	—	—	—	—
Impairment loss of deposits and prepayments for biological assets	(28,000)	—	—	—	—
Allowance for expected credit losses, net	(12,111)	(802)	—	—	—
Selling and distribution expenses	—	(6,310)	(11,194)	(21,366)	(21,424)
Administrative expenses	(22,007)	(58,328)	(35,422)	(54,558)	(25,595)
Finance costs	(1,256)	(8,346)	(8,640)	(9,361)	(8,693)
(Loss)/profit before taxation	(185,329)	(346,414)	2,073	72,003	117,372
Taxation	(6,240)	3,449	(3,042)	(2,684)	—
(Loss)/profit for the year	(191,569)	(342,965)	(969)	69,319	117,372
(Loss)/profit for the year attributable to:					
Owners of the Company	(191,516)	(342,953)	(275)	70,701	116,694
Non-controlling interests	(53)	(12)	(694)	(1,382)	678
	(191,569)	(342,965)	(969)	69,319	117,372

FIVE YEARS FINANCIAL SUMMARY (CONTINUED)

For the year ended 31 December 2019

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements in this annual report, is set out below:
(Continued)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	701,874	894,660	1,337,222	1,243,352	1,227,155
Total liabilities	(62,984)	(59,928)	(168,478)	(205,998)	(310,473)
Total equity	638,890	834,732	1,168,744	1,037,354	916,682

