



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



INTERIM REPORT
2020

The board (the “**Board**”) of directors (the “**Directors**”) of Huisheng International Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	1,858	–
Cost of sales		(1,656)	–
Gross profit		202	–
Other income	3	16,576	13,516
Net loss arising from change in fair value of financial assets at fair value through profit or loss		(2,724)	(4,036)
Net gain arising from disposal of financial assets at fair value through profit or loss		2,269	2,674
Selling and distribution expenses		(13)	–
Administrative expenses		(11,401)	(15,676)
Finance costs		(176)	(2,213)
Profit/(loss) before taxation		4,733	(5,735)
Taxation	4	(3,124)	–
Profit/(loss) for the period	5	1,609	(5,735)

Six months ended 30 June

	2020	2019
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)

Other comprehensive (loss)/income for the period:

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations	(1,038)	1,736
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Other comprehensive (loss)/income for the period, net of income tax	(1,038)	1,736
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Total comprehensive income/(loss) for the period	571	(3,999)
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Profit/(loss) for the period attributable to:

Owners of the Company	1,849	(5,735)
Non-controlling interests	(240)	-

	1,609	(5,735)
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Total comprehensive income/(loss) for the period attributable to:

Owners of the Company	811	(3,999)
Non-controlling interests	(240)	-

	571	(3,999)
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Earnings/(loss) per share attributable to owners of the Company

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Basic and diluted (RMB cents per share)	0.21	(0.65)
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The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		153,157	158,161
Right-of-use assets		11,436	11,695
Deposits and prepayments for property, plant and equipment	10	72,259	72,259
Deposits and prepayments for biological assets	10	92,000	92,000
Loan receivables	10	257,998	257,998
Financial assets at fair value through other comprehensive income		500	500
		587,350	592,613
Current assets			
Financial assets at fair value through profit or loss	8	14,020	12,759
Trade receivables	9	34	–
Loan receivables	10	19,418	13,921
Prepayments, deposits and other receivables	10	95,737	79,058
Bank balances and cash		17,870	3,523
		147,079	109,261
Current liabilities			
Accruals and other payables		74,941	46,042
Note payable	11	9,068	–
Lease liabilities		490	464
Deferred revenue		25	25
Tax payable		9,364	6,240
		93,888	52,771



	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Net current assets		53,191	56,490
Total assets less current liabilities		640,541	649,103
Non-current liabilities			
Note payable	11	–	8,886
Lease liabilities		816	1,050
Deferred revenue		264	277
		1,080	10,213
Net assets		639,461	638,890
Equity			
Share capital		7,308	7,308
Reserves		628,979	628,168
Equity attributable to owners of the Company		636,287	635,476
Non-controlling interests		3,174	3,414
Total equity		639,461	638,890

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Equity attributable to owners of the Company								Equity attributable to owners of the Company	Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Statutory surplus reserve	Other reserve	Revaluation reserve	Share option reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019 (Restated)	7,308	445,247	7,216	43,233	17,091	-	9,980	301,253	831,328	3,467	834,795
Loss for the period	-	-	-	-	-	-	-	(5,735)	(5,735)	-	(5,735)
Other comprehensive income for the period	-	-	1,736	-	-	-	-	-	1,736	-	1,736
Total comprehensive income/(loss) for the period	-	-	1,736	-	-	-	-	(5,735)	(3,999)	-	(3,999)
As at 30 June 2019 (Unaudited)	7,308	445,247	8,952	43,233	17,091	-	9,980	295,518	827,329	3,467	830,796
As at 1 January 2020 (Audited)	7,308	445,247	3,943	43,233	17,091	(1,000)	9,980	109,674	635,476	3,414	638,890
Profit/(loss) for the period	-	-	-	-	-	-	-	1,849	1,849	(240)	1,609
Other comprehensive loss for the period	-	-	(1,038)	-	-	-	-	-	(1,038)	-	(1,038)
Total comprehensive income/(loss) for the period	-	-	(1,038)	-	-	-	-	1,849	811	(240)	571
As at 30 June 2020 (Unaudited)	7,308	445,247	2,905	43,233	17,091	(1,000)	9,980	111,523	636,287	3,174	639,461

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	14,814	10,270
Investing activities		
Other cash flows arising from investing activities	2	24
Net cash generated from investing activities	2	24
Financing activities		
Interest paid	(280)	(2,213)
Proceeds from borrowings	-	8,788
Repayments of borrowings	-	(5,114)
Repayments of lease liabilities	(91)	(230)
Net cash (used in)/generated from financing activities	(371)	1,231
Net increase in cash and cash equivalents	14,445	11,525
Cash and cash equivalents at the beginning of the period	3,523	8,168
Effect of foreign exchange rate changes, net	(98)	1,725
Cash and cash equivalents at the end of the period	17,870	21,418

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value or revalued amounts at the end of each reporting period. The condensed consolidated interim financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2020 are consistent with those used in the annual financial statements for the year ended 31 December 2019 except as described below.

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Other than the changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Annual Report 2019, except for the impact of the adoption of the new and revised HKASs, HKFRSs, amendments and interpretations described below.

New and amendments to HKFRSs adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly.

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 (Amendments)	Definition of Material



1. BASIS OF PREPARATION (CONTINUED)

Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

Early adoption of amendments to HKFRSs

HKFRS 16 (Amendments)

COVID-19 Related Rent Concessions

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated interim financial statements.

Amendments to HKFRS 16 COVID-19-Related Rent Concessions

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the COVID-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

2. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (“CODMs”), being the executive 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 of pipe system products

2. 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 (Unaudited)	Pipe system products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2020			
Segment revenue	–	1,858	1,858
Segment results	(3,123)	(795)	(3,918)
Net loss arising from change in fair value of financial assets at fair value through profit or loss			(2,724)
Net gain arising from disposal of financial assets at fair value through profit or loss			2,269
Unallocated corporate income			13,821
Unallocated corporate expenses			(4,539)
Finance costs			(176)
Profit before taxation			4,733
Six months ended 30 June 2019			
Segment revenue	–	–	–
Segment results	(9,914)	–	(9,914)
Net loss arising from change in fair value of financial assets at fair value through profit or loss			(4,036)
Net gain arising from disposal of financial assets at fair value through profit or loss			2,674
Unallocated corporate income			12,042
Unallocated corporate expenses			(4,288)
Finance costs			(2,213)
Loss before taxation			(5,735)

2. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated corporate income, net loss arising from change in fair value of financial assets at fair value through profit or loss, net gain arising from disposal of financial assets at fair value through profit or loss 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 periods.

Segment assets and liabilities

	Slaughtering and trading of pork products RMB'000 (Unaudited)	Pipe system products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 30 June 2020			
Segment assets	371,603	3,103	374,706
Segment liabilities	(37,580)	(2,302)	(39,882)
At 31 December 2019			
Segment assets	371,878	2,074	373,952
Segment liabilities	(30,544)	(499)	(31,043)

2. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

Reconciliation of reportable segments' assets and liabilities:

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Assets		
Total assets of reportable segments	374,706	373,952
Unallocated and other corporate assets:		
Right-of-use assets	1,175	2,024
Loan receivables	277,416	271,919
Property, plant and equipment	197	258
Financial assets at fair value through profit of loss	14,020	12,759
Prepayments, deposits and other receivables	54,495	39,089
Bank balances and cash	12,420	1,873
Consolidated total assets	734,429	701,874
Liabilities		
Total liabilities of reportable segments	39,882	31,043
Unallocated and other corporate liabilities:		
Accruals and other payables	35,449	15,403
Note payable	9,068	8,886
Lease liabilities	1,205	1,412
Tax payable	9,364	6,240
Consolidated total liabilities	94,968	62,984

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

2. SEGMENT INFORMATION (CONTINUED)

Information about geographical areas

During the reporting period, the Group was mainly operating in the People's Republic of China (the "PRC") and Japan (six months ended 30 June 2019: the PRC). The Group's revenue from external customers based on the location of the operation by geographical location is presented below.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
– The PRC	–	–
– Japan	1,858	–
	1,858	–

Information about major customers

For the six months ended 30 June 2020, revenue generated from one customer of the Group which has individually accounted for over 10% of the Group's total revenue (six months ended 30 June 2019: none). No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: none).

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A (<i>note</i>)	1,824	–

Note: No revenue was contributed by Customer A during the six months ended 30 June 2019.

3. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the reporting period is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of pipe system products	1,858	–

3. REVENUE AND OTHER INCOME (CONTINUED)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposits	2	11
Loan receivables	13,637	12,016
Amortisation of deferred revenue	13	13
<hr/>		
Total interest income	13,652	12,040
Government grants (<i>note</i>)	183	1,450
Rental income	2,740	–
Sundry income	1	26
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	16,576	13,516

Note: During the six months ended 30 June 2019, 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.

During the six months ended 30 June 2020, the Group recognised government grants of approximately RMB183,000 in respect of COVID-19-related subsidies, of which RMB183,000 relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

4. TAXATION

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Japan		
Charge for the period	4	–
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Current tax – PRC		
Charge for the period	3,120	–
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Income tax charge	3,124	–



4. TAXATION (CONTINUED)

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 gazetted 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%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 (湖南惠生肉業有限公司) (“**Hunan Huisheng**”) meets the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agriculture products, was exempted from the PRC EIT during the period under review.

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

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.

4. TAXATION (CONTINUED)

The income tax expense for the period can be reconciled to the profit/(loss) before taxation per condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation	4,733	(5,735)
Tax at the applicable income tax rate	1,464	(769)
Tax exemption for subsidiary operating in the PRC	(781)	(3,000)
Tax effect of income not taxable for tax purpose	(480)	(363)
Tax effect of expenses not deductible for tax purpose	383	31
Tax effect of tax loss not recognised	2,538	4,101
Income tax expense	3,124	-

5. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	551	787
Other staff costs:		
Salaries and other benefits	1,506	1,262
Retirement schemes contributions	92	171
Total staff costs	2,149	2,220
Depreciation of property, plant and equipment	5,008	9,703
Depreciation of right-of-use assets	277	523

6. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2020 of approximately RMB1,849,000 (six months ended 30 June 2019: loss of approximately RMB5,735,000) and the weighted average number of 880,838,000 (six months ended 30 June 2019: 880,838,000) ordinary shares in issue during the reporting period.

The diluted earnings/(loss) per share was same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares in existence during the periods under review.

7. DIVIDENDS

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong (note)	14,020	12,759

Note: At 30 June 2020, the fair value of the listed equity securities, amounting to approximately RMB14,020,000 (31 December 2019: approximately RMB12,759,000), was determined based on the quoted market bid prices available on the Stock Exchange.

9. TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	5,777	5,743
Less: Allowance for expected credit losses	(5,743)	(5,743)
	34	-

The Group offered credit period on sale of pork products and pipe system products of within 80 days and 180 days, respectively. The aging analysis of trade receivables, net of allowance for expected credit losses, based on the invoice date, is as follows:

9. TRADE RECEIVABLES (CONTINUED)

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 30 days	–	–
31 days to 80 days	34	–
Total	34	–

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Balance at the beginning of the period	5,743	74
Allowance for expected credit losses recognised	–	5,669
Total	5,743	5,743

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 Group's management on the collectability of overdue balances.

The Group does not hold any collateral over these balances.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Deposits and prepayments for property, plant and equipment (note (a))	72,259	72,259
Deposits and prepayments for biological assets (note (b))	92,000	92,000
Loan receivables (note (c))	279,526	274,029
Other prepayments, deposits and other receivables (note (d))	100,797	84,118
	544,582	522,406
Less: Allowance for expected credit losses	(7,170)	(7,170)
	537,412	515,236

Analysed for reporting purposes as:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets	422,257	422,257
Current assets	115,155	92,979
	537,412	515,236

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The deposits and prepayments for property, plant and equipment as at 30 June 2020 and 31 December 2019 were mainly for the purchase of equipment of production facilities in the Group's slaughterhouse and breeding farms.
- (b) As at 30 June 2020, 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. An impairment loss of RMB28,000,000 was recognised for the year ended 31 December 2019 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 30 June 2020, there was loan receivables of approximately RMB279,526,000 (31 December 2019: approximately RMB274,029,000) net of allowances for expected credit losses of approximately RMB2,110,000 (31 December 2019: approximately RMB2,110,000). The loan receivables were unsecured, interest bearing at 0.8%–2.0% (31 December 2019: 0.8%–2.0%) per month and repayable within one to five years (31 December 2019: one to five years).
- (d) As at 30 June 2020, there were interest receivables of approximately RMB51,810,000 (31 December 2019: approximately RMB38,802,000) net of allowances for expected credit losses of approximately RMB554,000 (31 December 2019: approximately RMB554,000).

11. NOTE PAYABLE

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Unsecured:		
Note payable	9,068	8,886

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	9,068	–
Within second to fifth years	–	8,886
	9,068	8,886

The carrying amount of the Group's note payable is originally denominated in HK\$.

The effective interest rate (which is also equal to contracted interest rate) on the Group's note payable is as follows:

	As at 30 June 2020 % (p.a.) (Unaudited)	As at 31 December 2019 % (p.a.) (Audited)
Fixed rate note payable	2.0	2.0

12. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2020 and 2019.

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the six months ended 30 June 2020 and 2019 is set out in note 5.

13. CAPITAL COMMITMENTS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	28,392	28,392

14. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of the Coronavirus has impacted the global business environment. Pending the development and spread of Coronavirus subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. 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 30 June 2020 and up to the date of this report.

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

This condensed consolidated interim financial statements were approved and authorised for issue by the Board on 31 August 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period 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 of pipe system products.

Since the second half of 2018, the outbreak of African Swine Fever (“**ASF**”) has been never end. 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.

Apart from the outbreak of ASF, 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 since January 2020, 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. Such that, the Coronavirus had seriously knocked down our planning on the resumption of our pork business and resulted to our pork business that no revenue was recorded during the six months ended 30 June 2020.

In order to minimise of our risks for facing 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 generate a stable income source, as well as assuring we can generate cash inflow to sustain and strengthen our financial situation, while keeping capacities for resuming the pork business in the future.

The Group is still planning the resumption of breeding hogs at this moment by considering different factors, including but not limited to (i) the chance that any piglet being infected and all hogs in the farm will need to be killed, which 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; and (iii) the current flooding along the Yangtze River. The Group would closely monitor the price trend, development of ASF, the flooding issues and conduct an in-depth plan for resuming breeding of hogs in a cautious manner.



During the period under review, our pipe system products business recorded a revenue of approximately RMB1.9 million (2019: Nil). The management of the Group believes that it can diversify our business concentration risk and reduce 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. We will take cautious manner in dealing with seeking any potential investment and business opportunities, which would be in order to further diversify our business risks.

Financial Review

Although the operations in pork business is still suspending mainly due to the outbreak of ASF and Coronavirus in the PRC and no revenue generated during the six months ended 30 June 2020, however, our pipe system products business recorded revenue of approximately RMB1.9 million (2019: Nil) as compared with the same period of last year.

The selling and distribution expenses of the Group during the period was approximately RMB13,000 which was in line with the suspension of our production and sale of pork products.

For the six months ended 30 June 2020, the administrative expenses of the Group were approximately RMB11.4 million, while it was approximately RMB15.7 million in 2019. The decrease was mainly attributable to the fact that the Company did not have any business operations during the six months ended 30 June 2020. Accordingly, the depreciation charge of property, plant and equipment was primarily recognised as one of the expenses items in cost of sales, and now be allocated to the administrative expenses.

The Group's finance costs were approximately RMB0.2 million, while it was approximately RMB2.2 million in 2019.

The profit attributable to owners of the Company in 2020 was approximately RMB1.8 million, while it was a loss of approximately RMB5.7 million in 2019. During the period under review, the turnaround from loss to profit was mainly due to (i) a recognition of gross profit margin from the pipe system products business; (ii) a decrease in net loss arising from change in fair value of financial assets at fair value through profit or loss; (iii) a decrease in administrative expenses and finance cost; and (iv) a recognition of rental income from renting part of our slaughterhouse and breeding farm since March 2020.



Liquidity, Financial Resources and Funding and Treasury Policy

As at 30 June 2020, the Group had bank balances and cash of approximately RMB17.9 million (31 December 2019: approximately RMB3.5 million). The Group also had net current assets of approximately RMB53.2 million as at 30 June 2020, while it was approximately RMB56.5 million as at 31 December 2019. The total non-current assets of the Group decreased by approximately RMB5.2 million from approximately RMB592.6 million as at 31 December 2019 to approximately RMB587.4 million as at 30 June 2020, which was mainly due to the depreciation charged of property, plant and equipment and right-of-use assets.

As at 30 June 2020, the Group had note payable of approximately RMB9.1 million with fixed interest rate of 2% per annum.

The Group intends to finance its operations and investing activities principally with funds generating from its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi, Japanese Yen and Hong Kong dollars for the six months ended 30 June 2020. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2020, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Gearing Ratio

As at 30 June 2020, the Group's gearing ratio (being its total debts, which are the summation of borrowings divided by its total equity and multiplied by 100%) was approximately 1.4% (31 December 2019: 1.4%).

Foreign Exchange Exposure

Since almost all transactions of the Group are denominated either in Renminbi, Japanese Yen and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the reporting period, the Directors believe that such 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.



Capital Commitments and Contingent Liabilities

Save as disclosed elsewhere in the condensed consolidated interim financial statements for the six months ended 30 June 2020, the Directors were not aware of any material capital commitments and contingent liabilities.

Material Acquisitions and Disposals

Save as disclosed elsewhere in the condensed consolidated interim financial statements, during the period under review, the Group did not have any material acquisitions and disposals.

Significant Investments

During the period under review, there were no other significant investments.

Event after the Reporting Date

Since January 2020, the outbreak of the Coronavirus has impacted the global business environment. Pending the development and spread of Coronavirus subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. 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 30 June 2020 and up to the date of this report.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Employees and Remuneration Policy

As at 30 June 2020, the Group employed 40 staff members in Hong Kong, Japan and the PRC (31 December 2019: 42). The Group remunerates its employees based on their performance and experience, and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program.



The Company has adopted a share option scheme on 11 February 2014 which enables it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions to the Group.

Capital Structure

During the six months ended 30 June 2020, there are a total of 880,838,000 of issued Shares of the Company.

There were no other changes in the capital structure of the Company during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

During the six months ended 30 June 2020 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
Wong Yuk Lun, Alan	NOVA Group Holdings Limited ("NOVA Group"), Stock Code: 1360	Money Lending Business	Executive director of NOVA Group

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

Save as disclosed above, none of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.



DIRECTORS' INTERESTS IN CONTRACTS

Save for the service contracts and letters of appointment entered with the respective Directors, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or any time during the reporting period.

OUTLOOK AND FUTURE PROSPECTS

Looking forward to the second half of 2020, the Coronavirus is still rampaging in various countries, leading to a major challenge for the global economy. We are expecting 2020 will continue to be a challenging year. The adverse impact of the Coronavirus and the epidemic of ASF remains uncertain, and makes it difficult to gauge on the industry recovery pace. We fully support the prevention and control on the Coronavirus and the ASF, makes its best endeavour to cut off the transmission of the virus.

We will continuously, by utilising our gained experience in this industry, adopt a cautious approach to exploring any potential investment and business opportunities with respect to pork or related meat food industry, which can enhance our income source and further diversify our business risks. Meanwhile, the management of the Group is closely monitoring the market situation and continuously evaluating the impact of the Coronavirus and the ASF to the Group's operations, and will make adjustments to the Group's business plan and operations. The management of the Group has been exploring way to achieve diversification, if necessary, so as to minimise the impact on the Group.

Apart from the existing business of hog breeding and sales of meat food products, we will continue to develop of the pipe system products business by selling and distributing of pipe system products as well as conducting in the provision of technical advisory services on the design, application, implementation and installation of pipe system products, thereby generating sustainable growth for our shareholders' value, we will keep our update developments to our shareholders as and when appropriate.

Lastly, in considering to minimise and diversify our risks concerned, we expect that our business will have a steady increase in future so as to improve our profitability and create a long-term value for our shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, 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 (Note)
Chan Chi Ching	Beneficial Owner	8,684,000 (Underlying Shares)	0.99%

Save as disclosed above, as at 30 June 2020, 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.

Note:

The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2020, which was 880,838,000 shares.



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

As at 30 June 2020, no person (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The 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.

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 2020	Outstanding as at 30 June 2020	
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 six months ended 30 June 2020.

Save for the Share Option Scheme as disclosed above, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the “**Code Provision(s)**”) and certain recommended best practices contained in the Corporate Governance Code set out in Appendix 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 all the Code Provisions during the six months ended 30 June 2020.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee is primarily responsible for, among other things, reviewing the Group’s financial controls, risk management and internal control systems and monitoring the integrity of its financial statements and financial reports. The Audit Committee has reviewed with the management the financial and accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan, with Mr. Chan Hin Hang as its chairman.



CHANGE IN INFORMATION OF DIRECTORS

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

Mr. Wong Yuk Lun, Alan (“**Mr. Wong**”) has resigned as an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823) with effect from 2 March 2020, the issued shares of which had been formerly listed on the Stock Exchange. He also resigned as an independent non-executive director of TUS International Limited (stock code: 872) with effect from 17 July 2020, the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Wong appointed as an executive director of NOVA Group Holdings Limited (stock code: 1360) on 15 July 2020, the issued shares of which are listed on the Main Board of the Stock Exchange.

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

By order of the Board

HUISHENG INTERNATIONAL HOLDINGS LIMITED

Chan Chi Ching

Executive Director

Hong Kong, 31 August 2020