HUISHENG INTERNATIONAL HOLDINGS LIMITED

惠 生 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340

ANNUAL REPORT

2020

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Chi Ching
Mr. Suen Man Fung
Mr. Su Hongbo *(appointed on 29 October 2020)*
Dr. Liu Ta-pei *(resigned on 17 February 2020)*

Independent Non-executive Directors

Mr. Chan Hin Hang
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan
Dr. Wang Guiping *(appointed on 29 October 2020)*

COMPANY SECRETARY

Mr. Lau Chi Yuen

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Ching
Mr. Lau Chi Yuen

AUDIT COMMITTEE

Mr. Chan Hin Hang *(Committee Chairman)*
Mr. Wong King Shiu, Daniel
Mr. Wong Yuk Lun, Alan

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT AND TREASURY COMMITTEE

Mr. Chan Hin Hang *(Committee Chairman)*
Mr. Chan Chi Ching
Mr. Suen Man Fung

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

Room 1604, 16/F
Tower 1, Silvercord
30 Canton Road
Tsim Sha Tsui, Kowloon
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

Tricor 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

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.

Last year, the African Swine Fever ("ASF") was exploded throughout the PRC and still out of control in 2020 and it had severely affected the pork market in the PRC. According to the notice of 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), a total of 15 ASF outbreaks have been reported in 9 provinces, municipalities and autonomous regions including Hubei, Sichuan, Henan, Inner Mongolia, Gansu, Chongqing, Shaanxi, Jiangsu, and Yunnan since March of 2020. For the latest research of Chinese Academy of Agricultural Sciences* (中國農業科學院), some provinces in the PRC have new variants of ASF and it has a strong transmission ability and difficult to discover the symptoms in early stage.

For the recent notice of 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), the PRC had made an investment in supporting the research and development of ASF vaccine in order to further control of ASF. The first stage of research has been completed and expected that it will enter into production trial in the near future.

Meanwhile, the PRC government authorities has strengthened the existing emergency system for controlling of ASF including implement the national animal disease monitoring on relevant provinces and support to carry out sampling and monitoring of key areas and places, promptly and effectively deal with new epidemics. The improvement of quarantine equipment helps to support relevant provinces to improve their early warning and traceability capabilities. The strengthen of risk management and control of ASF, including standardise the emergency response to the epidemic and improve risk traceability, minimise the occurrence of epidemic. The outbreak of ASF has reduced the number of live hogs in the PRC and it would affect the pork prices due to the imbalance of supply and demand of live hogs between provinces.

Due to the outbreak of ASF, on 24 October 2018, our PRC subsidiaries received the quarantine order from the Agriculture Committee of Changde City* (常德市農業委員會) which ordered to kill all hogs and suspended of our operations in Hunan Province, our operations were eventually affected in such circumstances. Despite of this, the Group has never been encountered such difficult challenging and catastrophic environment.

Following on the suspension, the Group was under scrutiny by the PRC government authorities, which led to the implementation of stringent requirements on its breeding farms and slaughterhouse before they could be allowed to re-commence operations under the name of the Group. The Group's Pork Business was therefore on halt, pending the implementation of appropriate precautionary measures to the satisfaction of the PRC government authorities.

* *For identification purposes only*

During the year of 2020, we are taking cautious manner to resume its business, the Group had applied to the relevant authorities for granting an approval in the operations of our breeding farms and slaughterhouse, which had undergone reformations, including but not limited to (i) the refurbishment of the hog farms; and (ii) the setting up of a testing laboratory and the re-designing of the inspection and production procedures for the slaughterhouse.

In order to minimise of our risks during a sudden temporary downturn of the Pork Business and to sustain our routine operating cost, the Group had been cautiously adopting an interim business model in resuming part of its operations, such as (1) fattening of piglets; and (2) sales of pork products that already recommenced by the end of year 2020.

Under the interim business model, the Group required to acquire piglets from independent third parties for fattening purpose until it fattened into hogs of approximately 110kg and will be sent off for slaughtering and sold as pork products. The Group had been entered into a master contract with supplier for the provision of piglets for fattening which would take effect upon obtaining all relevant licences from the PRC government authorities for the operation of hog farm. Besides, the Group will be required to outsource the hog slaughtering procedures to independent slaughterhouse, hogs will be sent to the slaughterhouse for slaughtering. Thereafter, the pork products would then be sold directly or further processed as per the customers' requirements.

Since mid of October 2020, the Group has obtained Food Processing Operation Permit* (食品經營許可證) for pork processing and packing, the Group would be able to process and package the pork, and sell them as chilled or frozen pork products in order to broaden its product range and to maximise its profit return. From mid of December 2020, the Group has obtained a trial operation permit from the People's Government of Xiejiapu Town, Dingcheng District in Changde City* (常德市鼎城區謝家鋪鎮人民政府) and stated that our PRC subsidiaries would be able to re-commence the operation of breeding farms at the operation base in Bianshanpu* (邊山鋪) and fattening of piglets in order to bring back the hogs breeding to normal business operations.

On the other hand, the Group had applied Certificate of Designated Location for Livestock Slaughtering* (畜禽定點屠宰證) for approval for the hog slaughtering procedure in the Group's slaughterhouse and expected that the Group would obtain the licence/permit at the end of 2021 and subject to the actual regulatory.

Furthermore, the Group had leased out a breeding farm to an independent third party for rental income to maximise its return from assets, while retaining a breeding farm and part of the slaughterhouse for its business resumption plan in order to strike a balance between the risk and return.

* *For identification purposes only*

In order to minimise the operation risk caused by ASF and the COVID-19, the Group keeps its effort for seeking different business opportunity for strengthen the financial position of the Company and downplay the effect of the suspension of hog breeding business, which is the single revenue stream of the Group. Since the late of 2019, the Group commenced a new business through its indirect non-wholly owned subsidiary, Deson Japan Limited ("Deson Japan") which the Group acquired 70% equity interest, in selling and distributing of pipe system products and conducting in the provision of technical advisory services on the design, application, implementation, and installation. After one year of tapping into market, Deson Japan is able to capture certain reputation in the industry of selling pipe system products and received a steady increase on revenue with an approximately of 10% to 20% gross profits. Up to the date of this report, Deson Japan obtained secured contracts/orders amounted to approximately HK$20 million and the amount of the potential orders but yet to be completed reached approximately HK$21 million in the coming 12 months in future. The management expects to have further expanding of the business when the Group obtains more secured contracts or new fund with more and stable capital stream. The Group will continue to strive for various channels for fund raising and other business opportunities for the expansion of pipelines business. The management is in a view that the pipelines business will provide an opportunity to the Group to diversify its business and broaden the Group's revenue base as well as generate a stable gross profit, which are beneficial to the Group and the shareholders as a whole.

Last but not least, the Group will from time to time review the market situation and the business prospects of pipelines business and strike a balance between the Pork Business and the pipelines business, in order to better allocate the resources of the Group while maximizing the return to shareholders of the Company. The management will continue to seek any potential investment, which would be in order to further diversify of our business risks and maximize the Group profit during the difficult time caused by the ASF and COVID-19.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB29.7 million, representing an increase of approximately 425% or RMB24.0 million as compared with the same period of last year. The increase was mainly due to resume in Pork Business during the year.

Furthermore, the Group recorded revenue from pipelines business of approximately RMB11.5 million, representing an increase of approximately 102.6% as compared with the same period of last year. During the late of 2019, the Group has generated revenue from pipelines business of approximately RMB5.7 million with minimal profit. At the beginning stage of pipelines 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.

The Group recorded revenue from Pork Business of approximately RMB18.2 million (2019: nil) as to its business was re-commenced since the fourth quarter of 2020. The Pork Business was attributable to a gross loss of approximately RMB4.4 million, mainly due to the lower sales volume at an earlier stage of recommencement, the absorption of depreciation charge, more direct and fixed overhead costs in relating to its operations during the year. Thus, the Group suffered a gross loss margin in a short period of time.

The selling and distribution expenses of the Group for the year ended 31 December 2020 increased from approximately RMBnil to approximately RMB18,000 which was mainly due to the resume of the operations in Pork Business during the year.

For the year ended 31 December 2020, the administrative expenses of the Group were approximately RMB17.3 million, while it was approximately RMB22.0 million in 2019. The decrease was mainly due to a direct operating cost in relation to PRC tax levy and depreciation of approximately RMB1.4 million and approximately RMB4.5 million in 2019 respectively, was recorded in administrative expenses.

The Group's finance costs were approximately RMB0.7 million in 2020, while it was approximately RMB1.3 million in 2019.

Based on the annual results, as stated in this report, the loss attributable to owners of the Company in 2020 was approximately RMB36.6 million, while it was a loss of approximately RMB191.5 million in 2019. The reduction of loss was mainly due to (i) a decrease in impairment loss of property, plant and equipment of approximately RMB86.8 million; (ii) a decrease in net loss arising from change in fair value of financial assets at FVPL of approximately RMB4.8 million; and (iii) a decrease in impairment loss of deposits and prepayments for property, plant and equipment of approximately, RMB44.0 million and (iv) a decrease in impairment loss of deposit and prepayments for biological assets of approximately RMB28.0 million, during the year ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2020 amounting to approximately RMB14.9 million (2019: approximately RMB3.5 million). The Group's current ratio as at 31 December 2020 was 1.8 (2019: 2.1). The total equity of the Group amounted to approximately RMB598.1 million (2019: approximately RMB638.9 million) as at 31 December 2020.

As at 31 December 2020, the Group had outstanding borrowings with an amount of approximately RMB19.0 million (2019: approximately RMB8.9 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 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 31 December 2020, 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 2020 (2019: nil).

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 3.2% (2019: approximately 1.4%).

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 2020, 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 2020, 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 2020 (2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 29 staff and workers in Hong Kong, Japan and the PRC (2019: 42). 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 2020, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2020 and the date of this annual report, there are a total of 880,838,000 issued shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

In 2020, the swing of the "COVID-19" and the ASF remains uncertain, continuation of ASF and COVID-19 will bring us unprecedented challenges and make it difficult to gauge on the industry recovery pace.

For our core business, 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 Company commenced the business for the production and sale of meat food since the fourth quarter of 2020 as well as hog breeding is gradually re-commence the business at the end of 2020. The Group will closely monitor the news of ASF vaccine and the procedures of the application of related licence/permit. Also, the Group is looking for different ways to bring back the slaughtering operation into the original business model, such as working hard to cope with the requirements from relevant authorities to get back the slaughtering license, seeking for any other potential investment opportunities in order to acquire or cooperate with other slaughterhouse to strengthen the production capacities.

The outbreak of COVID-19 gives rise to a challenging and uncertain economic environment to the global market. Following the launch of the vaccine of COVID-19, the management of the Company believes that the economy of the global market will become stable and the construction of infrastructure will restart gradually, we expect that our pipelines business will have steady grow on profit in the future with the support of stable capital stream. The Company will continue to strive for various channels for raising funds and other potential business opportunity to open a new capital source in order to have long term healthy and sustainable development of the pipelines business. On the other hand, the Company will take a serious measure on the effect of the COVID-19 for our expansion of pipelines business in order to minimise the risk of operation.

To conclude, we expect that the development of ASF vaccine and vaccination of COVID-19 would have positive effect for our business and we believe that our core business will re-commence the business in nearly future and our pipelines business will have a steady increase in future and strengthen our new income source to the Group. We will provide the latest updates for our business to all shareholders and potential investors of the Company.

EVENTS AFTER THE YEAR END DATE

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

(2) With effect from 25 January 2021, the Company has cancelled all remaining 73,420,000 share options as approved by the Board (including the independent non-executive Directors) and consented by each of the grantee(s). Details of the announcement for the cancellation of share option published on website of Stock Exchange of Hong Kong Limited (the Stock Exchange") dated 25 January 2021.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Chi Ching (陳始正), aged 42, 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 34, was appointed as an executive Director on 17 July 2018 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. 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.

Mr. Su Hongbo (蘇紅波), aged 40, was appointed as an executive Director on 29 October 2020. He has over 10 years of extensive experience in pork products industry. He joined the Group in 2007 and since 2018 he becomes the chairman, general manager and legal representative of Hunan Huisheng Meat Products Company Limited* (湖南惠生肉業有限公司), the principal subsidiary of the Company. Mr. Su graduated from Hunan Radio & TV University* (湖南廣播電視大學) in adult higher education majoring in legal studies in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Hin Hang (陳衍行), aged 34, was appointed as an independent non-executive Director on 22 March 2019. He is 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), an independent non-executive director of China Demeter Financial investments Limited (Stock Code: 8120). Mr. Chan was also an independent non-executive director of Millennium Pacific Group Holdings Limited (Stock Code: 8147) from 17 July 2017 to 31 July 2018. All of the companies are listed on GEM of the Stock Exchange.

Mr. Wong King Shiu, Daniel (黃景兆), aged 61, was appointed as an independent non-executive Director on 7 June 2016. He is the Chairman of the Remuneration Committee, 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.

* *For identification purpose only*

Mr. Wong Yuk Lun, Alan, aged 47, 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.

Mr. Wong is currently an executive director of NOVA Group Holdings Limited (Stock code: 1360, a company listed on the main board of the Stock Exchange) and he is also an independent non-executive director of Smart City Development Holdings Limited (Stock code: 8268, formerly known as Deson Construction International Holdings Limited, a company listed on the GEM of the Stock Exchange) and Temir Corp. (Stock code: TMRR, a company listed on OTCQB Venture Market).

Mr. Wong was an independent non-executive director of TUS International Limited (Stock code: 872) from 2 September 2014 to 17 July 2020 and Bolina Holding Co., Ltd. (Stock code: 1190) from 7 July 2016 to 27 March 2017. Both of the companies are listed on the main board of the Stock Exchange. He was also an independent non-executive director of Tech Pro Technology Development Limited (Stock code:3823) from 24 May 2019 to 2 March 2020, a company previous listed on the main board of the Stock Exchange.

Mr. Wang Guiping (王貴平), aged 48, was appointed as an independent non-executive Director on 29 October 2020. He is an expert in animal microbiology and immunology. He is currently a deputy professor and tutor of master of Hunan Agricultural University* (湖南農業大學). Dr. Wang has been involved in various research projects and has published numbers of articles. Dr. Wang obtained his doctorate degree in clinical veterinary science from Hunan Agricultural University* (湖南農業大學) in 2014.

COMPANY SECRETARY

Mr. Lau Chi Yuen (劉智遠), Mr. Lau, aged 46, 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 and a member of Hong Kong Institute of Certified Public Accountants since January 2021.

* *For identification purpose only*

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 2020.

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 40 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 8. 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 2020 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 42, 44 and 134 respectively.

Details of the distributable reserves of the Group and the Company for the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements respectively. As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMBnil (2019: approximately RMBnil).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 31 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 2020 are set out in note 28 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	30%	N/A
The five largest customers in aggregate	67%	N/A
The largest supplier	N/A	34%
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 139 and 140 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 October 2021.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2020, as far as the Company is aware, save as disclosed in this annual 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 2020, 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
Mr. Su Hongbo *(Appointed on 29 October 2020)*
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
Dr. Wang Guiping *(Appointed on 29 October 2020)*

In accordance with articles 83(3) and 84 of the Articles, the following Directors, namely, Mr. Wong Yuk Lun, Alan, Mr. Su Hongbo and Dr. Wang Guiping 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, Mr. Chan Hin Hang and Dr. Wang Guiping has been appointed pursuant to a letter of appointment for an initial term of three years, subject to renewal as confirmed by the Company until terminated in accordance with the provisions of the employment contract and/or the provisions of the articles of association from time to time, the Listing Rules and the Companies Law.

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:

	2020	2019
Nil to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	–	–
	–	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.

Reference are made to the 2019 annual report published on 16 June 2020 and as at 31 December 2020, the total remaining share options were 73,420,000 (the "Existing Options"), of which 8,684,000, 26,052,000 and 38,684,000 share options were granted to a director, employees and consultants respectively.

As approved by the Board (including the independent non-executive Directors) and consented by each of the grantee(s), the Existing Options were cancelled on 25 January 2021 in accordance with the terms of the Share Option Scheme. No compensation is payable to the Grantees for cancellation of the share options. Details of the announcement for the cancellation of share options were published on the website of the Stock Exchange dated 25 January 2021.

The total number of shares which may be issued upon exercise of all options under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the Shares first commence on the Stock Exchange, which amounts to 88,083,800 shares. Unless approved by the Shareholders, the total number of shares issued and to be issued upon exercise of all outstanding options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue, which is 8,808,380 shares.

Save as disclosed above, none of the outstanding options were exercised, cancelled or lapsed during the year ended 31 December 2020.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements 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 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 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 contained in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:[2]

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%

Notes:

(1) The percentage is calculated based on the total number of ordinary Shares of the Company in issue as at 31 December 2020, which was 880,838,000.

(2) All underlying shares were cancelled on 25 January 2021.

Save as disclosed above, as at 31 December 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.

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

As at 31 December 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

During the year ended 31 December 2020 and up to the date of this annual 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"), Stock Code: 1360	Money Lending Business	Executive director of NOVA

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

During the year ended 31 December 2020 and up to the date of this annual 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 2020.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2020 are disclosed in note 39 to the consolidated financial statements. Save as disclosed in this annual report, there were no other connected transactions or non-exempted continuing connected transactions to be disclosed under the Listing Rules.

EVENTS AFTER THE YEAR-END DATE

Details of the events after the year-end date are set out on page 8 of the "Management Discussion and Analysis" of this annual 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, 30 June 2021

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 2020 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.

Two independent non-executive directors, Mr. Chan Hin Hang and Mr. Wong King Shiu, Daniel were unable to attend annual general meeting on 24 July 2020 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 seven Directors, including three executive Directors, Mr. Chan Chi Ching, Mr. Suen Man Fung and Mr. Su Hongbo and four independent non-executive Directors, Mr. Wong Yuk Lun, Alan, Mr. Wong King Shiu, Daniel, Mr. Chan Hin Hang and Dr. Wang Guiping 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 annual report is set out on page 14 and the biographical details of the Directors and relevant relationships among them (if any) are set out on pages 9 to 10 of this annual report. Save as disclosed therein, there is no financial, business, family or other material or relevant relationship among the Directors.

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 15 of this annual 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.

During the year ended 31 December 2020, twelve 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	12/12
Mr. Suen Man Fung	1/1	12/12
Mr. Su Hongbo *(Appointed on 29 October 2020)*	N/A	1/1
Dr. Liu Ta-pei *(Resigned on 17 February 2020)*	0/1	N/A
Independent non-executive Director		
Mr. Wong King Shiu, Daniel	0/1	12/12
Mr. Wong Yuk Lun, Alan	1/1	12/12
Mr. Chan Hin Hang	0/1	12/12
Dr. Wang Guiping *(Appointed on 29 October 2020)*	N/A	1/1

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.

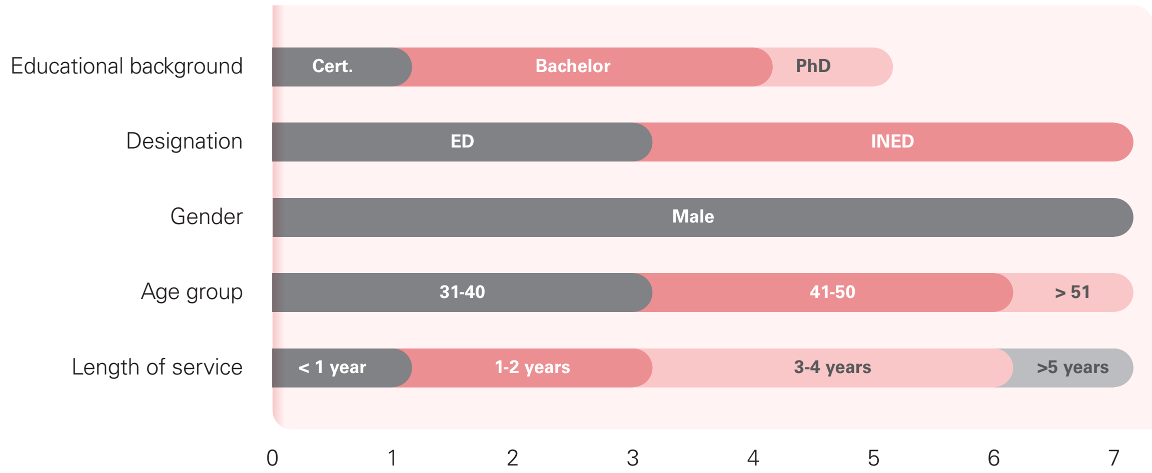
Measurable objectives

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 annual 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 security 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 2020.

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 2020.

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 2020, 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 directors on 29 October 2020. Details of attendance of members at meeting of the Remuneration Committee held during the year ended 31 December 2020 are set out as follows:

	Attendance/ Number of meetings
Mr. Wong King Shiu, Daniel *(Committee Chairman)*	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Chan Chi Ching	2/2
Mr. Chan Hin Hang	2/2

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. 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 2020, 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 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 2020; 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; and (ii) the Nomination policy. Details of attendance of members at meeting of the Nomination Committee held during the year ended 31 December 2020 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang *(Committee Chairman)*	2/2
Mr. Chan Chi Ching	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Wong King Shiu, Daniel	2/2

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 judgements 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 2020 and had performed the following work:–

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2019;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2020;
- reviewed the external auditors' statutory audit plan, audit scope and engagement letters;
- reviewed and recommended for approval by the Board the 2020 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 2019; 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 2020 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang *(Committee Chairman)*	2/2
Mr. Wong Yuk Lun, Alan	2/2
Mr. Wong King Shiu, Daniel	2/2

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 2020, 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 2020 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang *(Committee Chairman)*	2/2
Mr. Chan Chi Ching	2/2
Mr. Suen Man Fung	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 2020, 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 2020 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.

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.

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 2020 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 2020, 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	√	√
Mr. Suen Man Fung	√	√
Mr. Su Hongbo *(Appointed on 29 October 2020)*	√	√
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	√	√
Dr. Wang Guiping *(Appointed on 29 October 2020)*	√	√

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 the 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: Room 1604, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, 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: Room 1604, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, 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 Room 1604, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, 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 2018 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 2020.

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 HUISHENG 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 42 to 138, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 Certificated 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 ("HKSAs") 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.

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.

Key audit matter	How our audit addressed the key audit matter

Allowance for expected credit losses assessment of loan receivables

Refer to note 4 and note 23 to the consolidated financial statements.

As at 31 December 2020, the Group's gross loan receivables amounted to approximately RMB322,518,000 (2019: approximately RMB274,029,000) and a provision for allowance for expected credit losses of loan receivables of approximately RMB4,342,000 (2019: approximately RMB2,110,000) was recognised in the Group's consolidated statement of financial position.

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 *Financial Instruments*.

Management assesses whether the credit risk of loan receivables has 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 judgements and assumptions, primarily including the following:

- 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.

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.

Our procedures in relation to management's assessment on provision for allowance for expected credit losses of loan receivables as at 31 December 2020 included:

- 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.

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.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment

Refer to note 4 and note 16 to the consolidated financial statements.

As at 31 December 2020, the Group had property, plant and equipment of approximately RMB199,812,000 (2019: approximately RMB158,161,000). In view of the current situation of the slaughterhouse and breeding farms and stringent requirement on precautionary measures in preventing the spread of African Swine Fever. 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 RMB7,847,000 (2019: approximately RMB94,674,000) 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.

The Group assesses the recoverable amount of the property, plant and equipment by reference to a discounted cash flow projections prepared by management of the Group.

Significant judgements were involved in the preparation of discounted cash flow projections, including assumption of budgeted sales, budgeted gross profit margin and discounted rate.

Our procedure in relation to the management's impairment assessment of property, plant and equipment included:

- 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.

We found that the assumptions made by management for impairment assessment were supported by the available information.

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 HKSAs 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 HKSAs, 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, actions taken to eliminate threats or safeguards applied.

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.

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, 30 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	6	**29,663**	5,655
Cost of sales		**(31,746)**	(5,570)
Gross (loss)/profit		**(2,083)**	85
Other income	6	**22,022**	27,405
Other gain or loss, net	8	**(2,090)**	1,171
Loss arising from change in fair value less costs to sell of biological assets	19	**(11,612)**	–
Loss arising from change in fair value of financial assets at fair value through profit or loss	11	**(987)**	(5,759)
Impairment loss of property, plant and equipment	16	**(7,847)**	(94,674)
Impairment loss of right-of-use assets	17	**–**	(6,204)
Impairment loss of investment property	18	**(459)**	–
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		**(12,489)**	(12,111)
Selling and distribution expenses		**(18)**	–
Administrative expenses		**(17,343)**	(22,007)
Finance costs	9	**(696)**	(1,256)
Loss before taxation		**(33,602)**	(185,329)
Taxation	10	**(3,124)**	(6,240)
Loss for the year	11	**(36,726)**	(191,569)
Other comprehensive loss for the year:			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**–**	(1,000)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(4,024)**	(4,275)
Item that was reclassified to profit or loss:			
Reclassification adjustment of exchange differences upon disposal of subsidiaries	29	**–**	1,002
Other comprehensive loss for the year, net of income tax		**(4,024)**	(4,273)
Total comprehensive loss for the year		**(40,750)**	(195,842)

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(36,625)**	(191,516)
Non-controlling interests		**(101)**	(53)
		(36,726)	(191,569)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(40,652)**	(195,789)
Non-controlling interests		**(98)**	(53)
		(40,750)	(195,842)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	**(4.16)**	(21.74)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	16	**199,812**	158,161
Right-of-use assets	17	**10,664**	11,695
Investment property	18	**12,500**	–
Biological assets	19	**26,298**	–
Deposits and prepayments for property, plant and equipment	23	**–**	72,259
Deposits and prepayments for biological assets	23	**–**	92,000
Loan receivables	23	**243,441**	257,998
Other receivables	23	**25,835**	–
Financial assets at fair value through other comprehensive income	20	**500**	500
		519,050	592,613
Current assets			
Financial assets at fair value through profit or loss	21	**18,742**	12,759
Trade receivables	22	**11,343**	–
Loan receivables	23	**74,735**	13,921
Prepayments, deposits and other receivables	23	**62,104**	79,058
Bank balances and cash	24	**14,936**	3,523
		181,860	109,261
Current liabilities			
Trade payables	25	**3,689**	–
Accruals and other payables	26	**69,408**	46,042
Borrowings	28	**10,656**	–
Note payable	28	**8,390**	–
Lease liabilities	27	**469**	464
Deferred revenue	30	**25**	25
Tax payable		**9,360**	6,240
		101,997	52,771
Net current assets		**79,863**	56,490
Total assets less current liabilities		**598,913**	649,103

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Note payable	28	–	8,886
Lease liabilities	27	**521**	1,050
Deferred revenue	30	**252**	277
		773	10,213
Net assets		**598,140**	638,890
Equity			
Share capital	31	**7,308**	7,308
Reserves		**587,516**	628,168
Equity attributable to owners of the Company		**594,824**	635,476
Non-controlling interests		**3,316**	3,414
Total equity		**598,140**	638,890

Approved by the Board of Directors on 30 June 2021 and signed on its behalf by:

Chan Chi Ching	**Su Hongbo**
Executive Director	*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 2020

	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 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 and 1 January 2020	7,308	445,247	3,943	43,233	17,091	9,980	(1,000)	109,674	635,476	3,414	638,890
Loss for the year	–	–	–	–	–	–	–	(36,625)	(36,625)	(101)	(36,726)
Other comprehensive (loss)/income for the year	–	–	(4,027)	–	–	–	–	–	(4,027)	3	(4,024)
Total comprehensive loss for the year	–	–	(4,027)	–	–	–	–	(36,625)	(40,652)	(98)	(40,750)
As at 31 December 2020	7,308	445,247	(84)	43,233	17,091	9,980	(1,000)	73,049	594,824	3,316	598,140

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 2020

	Notes	2020 RMB'000	2019 RMB'000
Operating activities			
Loss before taxation		**(33,602)**	(185,329)
Adjustments for:			
Interest income	6	**(15,016)**	(25,954)
Finance costs	9	**696**	1,256
Depreciation of property, plant and equipment	11	**9,347**	8,904
Depreciation of right-of-use assets	11	**758**	923
Depreciation of investment property	11	**656**	–
Impairment loss of property, plant and equipment	16	**7,847**	94,674
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
Impairment loss of investment property	18	**459**	–
Loss arising from change in fair value less costs to sell of biological assets	19	**11,612**	–
Loss arising from change in fair value of financial assets at fair value through profit or loss	11	**987**	5,759
Gain on disposal of subsidiaries	8, 29	**–**	(1,171)
Loss on disposal of biological assets	8, 19	**2,090**	–
Allowance for expected credit losses, net		**12,489**	12,111
Operating cash flows before movements in working capital		**(1,677)**	(10,644)
(Increase)/decrease in financial assets at fair value through profit or loss		**(6,587)**	16,989
Increase in trade receivables		**(11,448)**	–
Increase in loan receivables		**(126)**	(10,341)
Increase in prepayments, deposits and other receivables		**(7,149)**	(9,405)
Increase in trade payables		**3,689**	–
Increase in accruals and other payables		**22,448**	6,398
Cash used in operating activities		**(850)**	(7,003)
Income tax (paid)/refund		**(4)**	12
Interest received		**2,505**	617
Net cash generated from/(used in) operating activities		**1,651**	(6,374)

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Investing activities			
Interest received		**6**	20
Net cash inflow from disposal of a subsidiary	29	**–**	17,521
Net cash generated from investing activities		**6**	17,541
Financing activities			
Interest paid	24	**(578)**	(1,220)
Proceeds from borrowings	24	**11,243**	–
Repayments of borrowings	24	**–**	(22,782)
Proceeds from note payable	24	**–**	8,683
Repayment of lease liabilities	24, 27	**(550)**	(456)
Net cash generated from/(used in) financing activities		**10,115**	(15,775)
Net increase/(decrease) in cash and cash equivalents		**11,772**	(4,608)
Cash and cash equivalents at the beginning of the year		**3,523**	8,168
Effect of foreign exchange rate changes		**(359)**	(37)
Cash and cash equivalents at the end of the year		**14,936**	3,523

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

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or before 1 January 2020 for the preparation of the consolidated financial statements:

Amendment to HKAS 1 and HKAS 8	Definition of Material
Amendment to HKFRS 3	Definition of a Business
Amendment to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

Amendment to HKFRS 16	Covid-19-Related Rent Concession

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non–current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	COVID-19-related rent concessions beyond 30 June 2021[5]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after 1 April 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary user. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

Going concern assessment

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair value 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 the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

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.

Significant accounting policies

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 from contract with customers

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Revenue from contract with customers (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 an 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contain, 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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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 that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment property".

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (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.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases (Continued)

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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Foreign currencies (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 related to income 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. Such grants are presented under "other income".

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.

Employee benefits

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Employee benefits (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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

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).

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Taxation (Continued)

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.

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. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Taxation (Continued)

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.

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.

If the owner-occupied property (including the relevant leasehold land classified as right-of-use assets) becomes an investment property because its use has changed as evidenced by end of owner-occupation, they do not change the carrying amount of the property transferred and the cost of that property for measurement or disclosure purposes.

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" 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An Investment property is a property held to earn rentals and/or for capital appreciation.

An Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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 its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and investment property

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and investment property 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, right-of-use assets and investment property 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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and investment property (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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assessment 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.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

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, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(iii) Derecognition/modification 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.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Related parties transactions (Continued)

(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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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.

4. CRITICAL ACCOUNTING JUDGEMENTS 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 judgements, 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 followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Property, plant and equipment, right-of-use assets and investment property 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, right-of-use assets and investment property is estimated. The recoverable amount of the property, plant and equipment, right-of-use assets and investment property 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 judgement 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

As at 31 December 2020, there were trade receivables, loan receivables and other receivables approximately RMB11,448,000, RMB322,518,000 and RMB102,677,000 (2019: approximately RMB5,743,000, RMB274,029,000 and RMB83,638,000), respectively, net of allowances for expected credit losses of approximately RMB105,000, RMB4,342,000 and RMB15,202,000 (2019: approximately RMB5,743,000, RMB2,110,000 and RMB5,060,000), 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 22 and 23 respectively.

(c) Depreciation and amortisation

Items of property, plant and equipment and investment property (notes 16 and 18) 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 2020, certain of the Group's financial assets, unlisted equity instruments amounting to approximately RMB500,000 (2019: approximately RMB500,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement 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.

(e) Fair values of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The independent external valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in note 19.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Amortised cost		
– Trade receivables	**11,343**	–
– Loan receivables	**318,176**	271,919
– Other receivables and deposits paid	**87,475**	78,578
– Bank balances and cash	**14,936**	3,523
	431,930	354,020
Financial assets at FVPL	**18,742**	12,759
Financial assets at FVOCI	**500**	500
	451,172	367,279
Financial liabilities		
Amortised cost		
– Trade payables	**3,689**	–
– Accruals and other payables	**69,408**	46,042
– Borrowings	**10,656**	–
– Note payable	**8,390**	8,886
– Lease liabilities	**990**	1,514
	93,133	56,442

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, trade payables, 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% (2019: 5%) higher/lower, loss after tax for the year ended 31 December 2020 would decrease/increase by approximately RMB782,000 (2019: RMB533,000) as a result of the changes in fair value of investments at FVPL.

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 2020 and 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 2020 and 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 2020 and 2019, the top three debtors and the largest debtor accounted for approximately 72.2% and 60.4% (2019: 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 90 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.

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 2020 and 2019:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2020			
Current (not past due) and less than 1 month past due	**0.9%**	**11,448**	**105**
As at 31 December 2019			
Over 1 year past due	**100.0%**	**5,743**	**5,743**

The following tables shows reconciliation of loss allowances that have been recognised for trade receivables as at 31 December 2020 and 2019:

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Trade receivables			
At 1 January 2019	**74**	**–**	**74**
Changes due to financial instruments recognised during the year ended 31 December 2019:			
– Impairment losses recognised	**–**	**5,669**	**5,669**
At 31 December 2019	**74**	**5,669**	**5,743**
Changes due to financial instruments recognised during the year ended 31 December 2020:			
– Write-off	**(74)**	**(5,669)**	**(5,743)**
– Impairment loss recognised	**106**	**–**	**106**
Exchange adjustments	**(1)**	**–**	**(1)**
At 31 December 2020	**105**	**–**	**105**

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.

The Group uses three categories for those receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Company definition of category	Basis for recognition of loss allowance
Performing	Receivables whose credit risk is in line with original expectations	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its Lifetime ECL (stage 1)
Underperforming	Receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL (stage 2)
Non-performing (credit-impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime ECL (stage 3)
Write-off	Interest and/or principal repayments are 1 year past due and there is no reasonable expectation of recovery	Amount is written off

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The loss allowance for loan receivables and other receivables and deposits as at 31 December 2020 and 2019 was determined as follows:

Loan receivables	2020 Performing RMB'000	2020 Total RMB'000	2019 Performing RMB'000	2019 Total RMB'000
Expected loss rate	**1.3%**		0.8%	
Gross carrying amount	**322,518**	**322,518**	274,029	274,029
Loss allowance	**4,342**	**4,342**	2,110	2,110

Other receivables and deposits	2020 Performing RMB'000	2020 Under-performing RMB'000	2020 Total RMB'000	2019 Performing RMB'000	2019 Under-performing RMB'000	2019 Total RMB'000
Expected loss rate	**1.4%**	**37.6%**		1.4%	11.6%	
Gross carrying amount	**64,677**	**38,000**	**102,677**	45,638	38,000	83,638
Loss allowance	**928**	**14,274**	**15,202**	655	4,405	5,060

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of customers. No significant changes to estimation techniques or assumptions were made during the reporting period.

Due to greater financial uncertainty triggered by the long overdue balance of other receivables and deposits, the Group has increased the expected loss rates in the current year as there is higher risk that could led to increased credit default rates.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The following tables show the movement of allowances for ECL of loan receivables and other receivables and deposits as at 31 December 2020 and 2019:

	12m ECL RMB'000	Total RMB'000
Loan receivables		
At 1 January 2019	386	386
Changes due to financial instruments recognised during the year ended 31 December 2019:		
– Impairment losses recognised	1,724	1,724
At 31 December 2019 and 1 January 2020	2,110	2,110
Changes due to financial instruments recognised during the year ended 31 December 2020:		
– Impairment losses recognised	2,479	2,479
– Impairment losses reversed	(246)	(246)
Exchange adjustments	(1)	(1)
At 31 December 2020	4,342	4,342

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Total RMB'000
Other receivables and deposits			
At 1 January 2019	–	342	342
Changes due to financial instruments recognised during the year ended 31 December 2019:			
– Impairment losses recognised	655	4,063	4,718
At 31 December 2019 and 1 January 2020	655	4,405	5,060
Changes due to financial instruments recognised during the year ended 31 December 2020:			
– Impairment losses recognised	874	9,869	10,743
– Impairment losses reversed	(593)	–	(593)
Exchange adjustments	(8)	–	(8)
At 31 December 2020	928	14,274	15,202

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.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Business risk

The Group is exposed to financial risks arising from changes in equity price risk through its investments in equity securities measured at FVPL and FVOCI, the 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.

For equity securities measured at FVPL quoted in the Stock Exchange, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted equity securities for investee operating in supply of feed ingredients sector for long term strategic purposes which had been designated as FVOCI.

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.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

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.

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 2020							
Non-derivative financial liabilities							
Trade payable	–	3,689	–	–	–	3,689	3,689
Accruals and other payables	–	69,408	–	–	–	69,408	69,408
Borrowings	10.00	11,307	–	–	–	11,307	10,656
Note payable	2.00	8,529	–	–	–	8,529	8,390
Lease liabilities	7.64	521	434	17	214	1,186	990
		93,454	434	17	214	94,119	93,133

	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

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 2020

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVPL	**18,742**	**–**	**–**	**18,742**
Financial assets at FVOCI	**–**	**500**	**–**	**500**
	18,742	**500**	**–**	**19,242**

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

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 2020 and 2019 is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Recognition at a point in time		
Sale of pork products	**18,206**	–
Sale of pipe system products	**11,457**	5,655
	29,663	5,655

6. REVENUE AND OTHER INCOME (Continued)

	2020 RMB'000	2019 RMB'000
Other income		
Interest income on:		
Bank deposits	**6**	20
Loan receivables	**14,985**	25,909
Amortisation of deferred revenue	**25**	25
Total interest income	**15,016**	25,954
Rental income	**6,514**	–
Government grants *(note)*	**489**	1,450
Sundry income	**3**	1
	22,022	27,405

Note:

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

In 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.

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

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 2020			
Segment revenue	**18,206**	**11,457**	**29,663**
Segment results	**(18,694)**	**(115)**	**(18,809)**
Loss arising from change in fair value of financial assets at fair value through profit or loss			**(987)**
Impairment loss of property, plant and equipment			**(7,847)**
Impairment loss of investment property			**(459)**
Allowance for expected credit losses, net			**(12,489)**
Unallocated corporate income			**15,344**
Unallocated corporate expenses			**(7,659)**
Finance costs			**(696)**
Loss before taxation			**(33,602)**

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 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)

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, 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 right-of-use assets, impairment loss of deposits and prepayments for property, plant and equipment, impairment loss of deposits and prepayments for biological assets, impairment loss of investment property, 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.

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 2020			
Segment assets	**342,534**	**10,044**	**352,578**
Segment liabilities	**(27,817)**	**(2,783)**	**(30,600)**

	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)

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Reconciliation of reportable segments' assets and liabilities:

	2020 RMB'000	2019 RMB'000
Assets		
Total assets of reportable segments	**352,578**	373,952
Unallocated and other corporate assets:		
Right-of-use assets	**851**	2,024
Loan receivables	**318,176**	271,919
Property, plant and equipment	**121**	258
Financial assets at fair value through profit of loss	**18,742**	12,759
Prepayments, deposits and other receivables	**4,334**	39,089
Bank balances and cash	**6,108**	1,873
Consolidated total assets	**700,910**	701,874
Liabilities		
Total liabilities of reportable segments	**30,600**	31,043
Unallocated and other corporate liabilities:		
Accruals and other payables	**42,875**	15,403
Note payable	**8,390**	8,886
Borrowings	**10,656**	–
Lease liabilities	**889**	1,412
Tax payable	**9,360**	6,240
Consolidated total liabilities	**102,770**	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, borrowings, note payable and tax payable).

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 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure *(note)*	**72,259**	**–**	**–**	**72,259**
Depreciation of property, plant and equipment	**9,220**	**–**	**127**	**9,347**
Depreciation of right-of-use assets	**268**	**–**	**490**	**758**
Depreciation of investment property	**656**	**–**	**–**	**656**
Allowance for expected credit losses, net	**10,740**	**88**	**1,661**	**12,489**

	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 *(note)*	–	–	1,487	1,487
Depreciation of property, plant and equipment	8,778	–	126	8,904
Depreciation of right-of-use assets	459	–	464	923
Allowance for expected credit losses, net	9,732	–	2,379	12,111

Note:

During the year ended 31 December 2020, capital expenditure consists of additions of property, plant and equipment.

During the year ended 31 December 2019 capital expenditure consists of additions of right-of-use assets.

Revenue from major products and services

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

	2020 RMB'000	2019 RMB'000
Slaughtering and trading of pork products	**18,206**	–
Pipe system products	**11,457**	5,655
	29,663	5,655

7. SEGMENT INFORMATION (Continued)

Information about geographical areas

During the year, the Group was mainly operating in the PRC and Japan (2019: Japan). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2020 RMB'000	2019 RMB'000
Revenue		
– The PRC	**18,206**	–
– Japan	**11,457**	5,655
	29,663	5,655

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

The Group's geographical concentration risk is mainly in the PRC and Japan, which accounted for 61% and 39% of the total revenue during the year ended 31 December 2020 (2019: 100% in Japan).

Information about major customers

For the year ended 31 December 2020, revenue generated from two (2019: one) customer(s) of the Group which has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2020 and 2019.

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

	2020 RMB'000	2019 RMB'000
Customer A from pipe system products *(note)*	**8,873**	–
Customer B from pipe system products *(note)*	**–**	5,655
Customer C from slaughtering and trading of pork products *(note)*	**3,064**	–

Note:

The revenue contributed by Customer B during the year ended 31 December 2020 and Customer A and Customer C during the year ended 31 December 2019 was less than 10% of the Group's revenue.

8. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2020 and 2019 is as follows:

	2020 RMB'000	2019 RMB'000
Gain on disposal of subsidiaries *(note 29)*	–	1,171
Loss on disposal of biological assets *(note 19)*	(2,090)	–
	(2,090)	1,171

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on:		
– Borrowings wholly repayable within five years (note 24)	361	1,096
– Note payable (note 24)	244	128
– Lease liabilities	91	32
	696	1,256

10. TAXATION

	2020 RMB'000	2019 RMB'000
Current tax – Japan		
Charge for the year	4	–
Current tax – PRC		
Charge for the year	3,120	6,240
Income tax charge	3,124	6,240

10. 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 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% (2019: 8.25%), and profits above HK$2 million will be taxed at 16.5% (2019: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a flat rate of 16.5%.

PRC

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

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

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

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2019 and 2020.

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.

10. TAXATION (Continued)

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:

	2020 **RMB'000**	2019 RMB'000
Loss before taxation	**(33,602)**	(185,329)
Tax at the applicable income tax rate	**(7,879)**	(44,813)
Tax effect of income not taxable for tax purpose	**(35)**	(905)
Tax effect of expenses not deductible for tax purpose	**9,957**	43,866
Tax effect of tax loss not recognised	**1,081**	8,092
Income tax expenses	**3,124**	6,240

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 RMB24,059,000 (2019: approximately RMB17,507,000) 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.

11. LOSS FOR THE YEAR

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

	2020 **RMB'000**	2019 RMB'000
Directors' emoluments:		
Directors' fee	**322**	294
Salaries, allowances and benefits in kind	**705**	1,168
Retirement scheme contributions	**35**	59
	1,062	1,521
Other staff costs:		
Salaries and other benefits	**3,126**	2,545
Retirement scheme contributions	**237**	270
Total staff costs	**4,425**	4,336
Auditors' remuneration		
– Audit service	**1,000**	1,000
Depreciation of property, plant and equipment	**9,347**	8,904
Depreciation of right-of-use assets	**758**	923
Depreciation of investment property	**656**	–
Cost of inventories recognised as expenses	**28,359**	5,570
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	**(2,194)**	(3,791)
Unrealised loss on financial assets at FVPL	**3,181**	9,550
	987	5,759

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:

	2020 **RMB'000**	2019 RMB'000
Directors' fees	**322**	294
Other emoluments:		
Salaries, allowances and benefits in kind	**705**	1,168
Retirement scheme contributions	**35**	59
	740	1,227
	1,062	1,521

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
2020				
Executive directors:				
Mr. Chan Chi Ching	–	320	16	336
Dr. Liu Ta-pei *(note (d))*	–	42	2	44
Mr. Suen Man Fung	–	320	16	336
Mr. Su Hongbo *(note (e))*	–	23	1	24
Independent non-executive directors:				
Mr. Wong King Shiu, Daniel	107	–	–	107
Mr. Wong Yuk Lun, Alan	107	–	–	107
Mr. Chan Hin Hang *(note (b))*	107	–	–	107
Dr. Wang Guiping *(note (f))*	1	–	–	1
	322	705	35	1,062

12. DIRECTORS' EMOLUMENTS (Continued)

	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 *(note (d))*	–	317	16	333
Ms. Lam Ka Lee *(note (c))*	–	217	11	228
Mr. Suen Man Fung	–	317	16	333
Independent non-executive directors:				
Mr. Deng Jinping *(note (a))*	–	–	–	–
Mr. Wong King Shiu, Daniel	106	–	–	106
Mr. Wong Yuk Lun, Alan	106	–	–	106
Mr. Chan Hin Hang *(note (b))*	82	–	–	82
	294	1,168	59	1,521

Notes:

(a) Mr. Deng Jinping was resigned as the independent non-executive director of the Company on 22 March 2019.

(b) Mr. Chan Hin Hang was appointed as the independent non-executive director of the Company on 22 March 2019.

(c) Ms. Lam Ka Lee was resigned as the director of the Company on 6 September 2019.

(d) Dr. Liu Ta-pei was resigned as the director of the Company on 17 February 2020.

(e) Mr. Su Hongbo was appointed as an executive director of the Company on 29 October 2020.

(f) Dr. Wang Guiping was appointed as an independent non-executive director of the Company on 29 October 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 2020 and 2019 respectively. None of the directors agreed to waive or waived any emoluments during the year (2019: nil).

13. EMPLOYEES EMOLUMENTS

The five highest paid individuals during the year included one executive directors (2019: three). Details of whose emoluments are set out above in note 12. The detail of the emoluments of the remaining four (2019: two) highest paid individuals are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other allowances	**1,768**	883
Retirement scheme contributions	**134**	32
	1,902	915

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

	2020	2019
Nil to RMB888,000 (equivalents to HK$1,000,000)	**4**	2

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.

No bonus was paid or receivable by directors or five highest paid employees after considering the Group's operational and financial performance during the year (2019: nil).

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020 **RMB'000**	2019 RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(36,625)**	(191,516)

	2020 **'000**	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**880,838**	880,838

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB36,625,000 (2019: approximately RMB191,516,000) and the weighted average number of 880,838,000 (2019: 880,838,000) ordinary shares in issue during the year ended 31 December 2020.

Basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2020 and 2019 and, therefore, be anti-dilutive.

15. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

16. 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 2019	442,827	143,676	5	3,367	2,355	592,230
Exchange realignment	1	–	–	13	–	14
As at 31 December 2019 and at 1 January 2020	442,828	143,676	5	3,380	2,355	592,244
Additions	–	–	–	–	72,259	72,259
Transfer to investment property	(49,149)	–	–	–	–	(49,149)
Exchange realignment	(3)	–	–	(37)	–	(40)
As at 31 December 2020	393,676	143,676	5	3,343	74,614	615,314
Accumulated depreciation and impairment						
As 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 and at 1 January 2020	287,258	143,676	5	3,144	–	434,083
Provided for the year	9,230	–	–	117	–	9,347
Transfer to investment property	(35,745)	–	–	–	–	(35,745)
Impairment loss recognised	–	–	–	–	7,847	7,847
Exchange realignment	(2)	–	–	(28)	–	(30)
As at 31 December 2020	260,741	143,676	5	3,233	7,847	415,502
Net book values						
As at 31 December 2020	**132,935**	**–**	**–**	**110**	**66,767**	**199,812**
As at 31 December 2019	155,570	–	–	236	2,355	158,161

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%

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss recognised in the current year:

Due to the outbreak of ASF, on 24 October 2018, the PRC subsidiaries of the Group received the quarantine order from the Agriculture Committee of Changde City* (常德市農業委員會) which ordered to kill all hogs and suspended of the PRC subsidiaries operations in Hunan Province, the PRC subsidiaries of operations were eventually affected in such circumstances.

Following on the suspension, the Group was under scrutiny by the PRC government authorities, which led to the implementation of stringent requirements on its breeding farms and slaughterhouse before they could be allowed to re-commence operations under the name of the Group. The Group's slaughtering and trading of pork products business were therefore on halt, pending the implementation of appropriate precautionary measures to the satisfaction of the PRC government authorities. During the year ended 31 December 2020, the Group is taking cautious manner to resume its business, the Group had applied to the relevant authorities for granting an approval in the operations of the breeding farms and slaughterhouse, which had undergone reformations.

In order to minimise of the risks during a sudden temporary downturn of the slaughtering and trading of pork products and to sustain the routine operating cost. The Group had been cautiously adopting an interim business model in resuming part of its operations, such as (1) fattening of piglets; and (2) sales of pork products that already recommenced by the end of year 2020. Furthermore, the Group had leased out a breeding farm to an independent third party for rental income to maximise its return from assets, while retaining a breeding farm and part of the slaughterhouse for its business resumption plan in order to strike a balance between the risk and return.

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 investment property 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 investment property. The recoverable amount 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 has been determined based on a higher of value-in-use and fair value less costs of disposal (2019: higher of value-in-use and fair value less costs of disposal). 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 a five-year period approved by the management and with pre-tax discount rate of 16.95% (2019: 18.71%). Cash flows beyond five-year period have been extrapolated using a steady 3% (2019: 3%) terminal growth rate.

The recoverable amount of investment property is estimated individually. The carrying amount of the investment property has been reduced to recoverable amount determined using fair value less cost of disposal of breeding farm in the PRC. Please refer to note 18 for the fair value measurement of investment property.

* *For identification purpose only*

16. 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 investment property are as follows:

- There will be no major change in existing political, legal, technological, fiscal or economic condition which might adversely affect the economy in general and the operation of the slaughterhouse and breeding farms.
- There will be no major change in the current taxation laws in the PRC and that all applicable laws and regulations on taxation will be complied with by the slaughterhouse and breeding farms;
- There will be no material fluctuation of the finance costs and availability of finance in the PRC for the operation of the slaughterhouse and breeding farms;
- The PRC subsidiaries will fulfill all legal and regulatory requirements for the principal business;
- The development of the operation of the slaughterhouse and breeding farms will not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;
- There will not be any adverse events beyond the control of the management of the PRC subsidiaries, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and terrorism and epidemics that may adversely affect the operation of the slaughterhouse and breeding farms;
- The future movement of exchange rates and interest rates will not materially differ from prevailing market rates;
- The PRC subsidiaries will retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations;

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

As at 31 December 2020, the recoverable amount of the property, plant and equipment of slaughterhouse and breeding farms and investment property were approximately RMB206,206,000 and RMB12,500,000, respectively and impairment loss of property, plant and equipment of slaughterhouse and breeding farms, and investment property approximately RMB7,847,000 and RMB459,000, respectively has been recognised during the year ended 31 December 2020.

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 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 has been recognised during 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 1 January 2019	483	20,140	20,623
Additions	1,487	–	1,487
Exchange realignment	9	–	9
As at 31 December 2019 and 1 January 2020	1,979	20,140	22,119
Transfer to investment property	–	(482)	(482)
Exchange realignment	(118)	–	(118)
As at 31 December 2020	1,861	19,658	21,519
Accumulated depreciation and impairment			
As at 1 January 2019	–	3,288	3,288
Charge for the year	468	455	923
Impairment loss recognised	–	6,204	6,204
Exchange realignment	9	–	9
As at 31 December 2019 and 1 January 2020	477	9,947	10,424
Charge for the year	494	264	758
Transfer to investment property	–	(271)	(271)
Exchange realignment	(56)	–	(56)
As at 31 December 2020	915	9,940	10,855
Carrying amounts			
As at 31 December 2020	**946**	**9,718**	**10,664**
As at 31 December 2019	1,502	10,193	11,695

The lease terms of the Group's office premises and land use rights range from 2 to 50 years for the years ended 31 December 2020 and 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.

17. RIGHT-OF-USE ASSETS (Continued)

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 righ-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.

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 16.

18. INVESTMENT PROPERTY

	RMB'000
Cost	
As at 1 January 2020	–
Transfer from property, plant and equipment and right-of-use assets	13,615
As at 31 December 2020	13,615
Accumulated depreciation and impairment	
As at 1 January 2020	–
Charge for the year	656
Impairment loss recognised	459
As at 31 December 2020	1,115
Carrying amounts	
As at 31 December 2020	12,500

18. INVESTMENT PROPERTY (Continued)

For disclosure purpose, the fair value of the Group's investment property at 31 December 2020 was approximately RMB12,500,000 (2019: nil). The fair value has been arrived at based on a valuation carried out by Valor Appraisal & Advisory Limited, independent valuers not connected with the Group.

The fair value was determined based on the income approach, where the market rentals of the lettable unit of the property is assessed and discounted at the market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in the lettable unit of the property as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property.

In estimating the fair value of the property, the highest and best use of the property is their current use.

Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2020	
	Carrying amount RMB'000	**Fair value at Level 3 hierarchy RMB'000**
Breeding farm in the PRC	**12,500**	**12,500**

The above investment property is depreciated on a straight-line basis at the following rates per annum:

Breeding farm	20 years

Details of the impairment assessment of investment property are set out in note 16.

19. BIOLOGICAL ASSETS

The Group is principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC.

The quantity of hogs owned by the Group as at the end of reporting period is shown below. The Group's hogs are divided into breeder hogs and porkers.

The number of biological assets are summarised as follows:

	2020	2019
Breeder hogs	**3,841**	–

Analysed for reporting purposes as:

	2020 **RMB'000**	2019 RMB'000
Non-current portion-breeder hogs	**26,298**	–

The Group is exposed to fair value risks arising from changes in price of hogs. The Group does not anticipate that the price of hogs will significantly decline in the foreseeable future and the directors of the Company are of the view that there is no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of hogs.

The Group is exposed to a number of risks related to biological assets and exposed to the following operation risks:

(a) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding of hogs. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(b) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including but not limited to regular inspections, disease controls, surveys and insurance.

19. BIOLOGICAL ASSETS (Continued)

Movements of the biological assets are as follows:

	Breeder hogs RMB'000
As at 1 January 2019, 31 December 2019 and 1 January 2020	–
Increase due to purchases	40,000
Decrease due to retirement and deaths (note 8)	(2,090)
Loss arising from change in fair value less costs to sell	(11,612)
As at 31 December 2020	**26,298**

Principal assumption for valuation of biological assets

The following principal assumptions have been adopted in the valuation of biological assets:

- there will be no major change in the existing political, technological, legal and economic conditions in the PRC;
- 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 Group;
- the interest rates and exchange rates will not materially differ from those presently prevailing;
- the biological assets are properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;

19. BIOLOGICAL ASSETS (Continued)

Principal assumption for valuation of biological assets (Continued)

- the biological assets are free from any animal diseases, including but not limited to sarcoptic mange, internal parasites, swine influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;
- the availability of finance will not be a constraint on the breeding of the breeders hogs;
- the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;
- the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and
- the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

The qualification of the Valuer

The Group's biological assets were independently valued by Valor Appraisal & Advisory Limited (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation include professional member of the Chartered Financial Analyst (the "CFA"), professional member of the Australasian Institute of Mining & Metallurgy (the "MAusIMM"), professional member of the Royal Institution of Chartered Surveyors (the "MRICS"), professional member of the Hong Kong Institute of Surveyors (the "MHKIS"), professional member of registered valuer (the "RV"), professional member of Registered Professional Surveyors (the "RPS") and professional member of Licensed Estate Agent (the "EAA").

19. BIOLOGICAL ASSETS (Continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

- 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).

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Biological assets				
– Breeder hogs	–	26,298	–	26,298

19. BIOLOGICAL ASSETS (Continued)

Fair value hierarchy (Continued)

There were no transfer between Level 1, 2 and 3 in both years. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Type	Fair value hierarchy	Valuation technique and key input	Significant observable input
Biological assets			
Breeder hogs	Level 2	The fair value less costs to sell of the breeder hogs are determined with reference to the market determined prices of items with similar age, weight and breeds.	• Prevailing market price less costs to sell of boars (RMB/head): RMB8,000. Market prices of boars represent the market selling prices of boars around 6 months old in Hunan Province. The market prices of boars in Hunan Province were obtained from independent price inquiry by the Valuer. • Prevailing market price less costs to sell of gilts (RMB/head): RMB6,750. Market prices of gilts represent the market selling prices of gilts around 6 months old in Hunan Province. The market prices of gilts in Hunan Province were obtained from independent price inquiry by the Valuer.

Note: If the above observable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the biological assets would increase/decrease by approximately RMB2,630,000 in 2020.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted equity investment in the PRC	**500**	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.

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

* *For identification purpose only*

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Held-for-trading investments:		
Equity securities listed in Hong Kong *(note)*	**18,742**	12,759

Note:

At 31 December 2020, the fair value of the listed equity securities, amounting to approximately RMB18,742,000 (2019: approximately RMB12,759,000), was determined based on the quoted market bid prices available on the Stock Exchange.

22. TRADE RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Trade receivables	**11,448**	5,743
Less: Allowance for expected credit losses	**(105)**	(5,743)
	11,343	–

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

	2020 **RMB'000**	2019 RMB'000
Within 30 days	**11,343**	–

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

	2020 **RMB'000**	2019 RMB'000
Balance at the beginning of the year	**5,743**	74
Write-off	**(5,743)**	–
Allowance for credit losses recognised	**106**	5,669
Exchange adjustments	**(1)**	–
Balance at the end of the year	**105**	5,743

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Deposits and prepayments for property, plant and equipment *(note (a))*	–	72,259
Deposits and prepayments for biological assets *(note (b))*	–	92,000
Loan receivables *(note (c))*	**322,518**	274,029
Other prepayments, deposits and other receivables *(notes (d) and (e))*	**103,141**	84,118
	425,659	522,406
Less: Allowance for expected credit losses	**(19,544)**	(7,170)
	406,115	515,236

Analysed for reporting purposes as:

	2020 **RMB'000**	2019 RMB'000
Non-current assets	**269,276**	422,257
Current assets	**136,839**	92,979
	406,115	515,236

Notes:

(a) The deposits and prepayments for property, plant and equipment as at 31 December 2019 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 for the year ended 31 December 2019 are set out in note 16.

(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 16. 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.

During the year ended 31 December 2020, deposits and prepayments for biological assets of approximately RMB40,000,000 utilised as purchase for biological assets (see note 19). As a result of resumption of operation by interim business model, the Group request the suppliers to refund the rest of the deposits of approximately RMB52,000,000 and they agreed to settle in the coming two years. As a result, the Group reclassified such balance to other receivables in current assets and non-current assets of approximately RMB26,000,000 and RMB26,000,000, respectively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) As at 31 December 2020, there were loan receivables of approximately RMB322,518,000 (2019: approximately RMB274,029,000) net of allowances for expected credit losses of approximately RMB4,342,000 (2019: approximately RMB2,110,000). The loan receivables were unsecured, weighted average interest bearing at 0.1% per annum (2019: 9.2% per annum) and repayable within one to five years (2019: one to five years).

(d) As at 31 December 2020, there was other receivable of approximately RMB38,000,000 (2019: approximately RMB38,000,000) net of allowances for expected credit losses of approximately RMB14,274,000 (2019: approximately RMB4,405,000). The other receivable was related to cash consideration from disposal of subsidiary, 常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*) during the year ended 31 December 2018 which recoverable on demand.

As at 31 December 2020, as set out in (b) above, there were other receivables of approximately RMB52,000,000 net of allowances for expected credit losses of approximately RMB358,000 reclassified from deposits and prepayments for biological assets during the year ended 31 December 2020.

(e) As at 31 December 2020, there were interest receivables of approximately RMB1,084,000 (2019: approximately RMB38,802,000) net of allowances for expected credit losses of approximately RMB58,000 (2019: approximately RMB554,000).

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

* *For identification purpose only*

24. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2020 **RMB'000**	2019 RMB'000
Bank balances and cash	**14,936**	3,523

As at 31 December 2020, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB8,742,000 (2019: approximately RMB1,667,000). 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 0.05% to 0.35% per annum as at 31 December 2020 (2019: 0.1% to 0.39% per annum).

24. BANK BALANCES AND CASH (Continued)

Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Note payable RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2019	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
Cash flows	11,243	–	(550)	10,693
Interest paid	(334)	(244)	–	(578)
Other changes:				
Interest expense	361	244	91	696
Exchange realignment	(614)	(496)	(65)	(1,175)
Net debt as at 31 December 2020	10,656	8,390	990	20,036

25. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**3,689**	–

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

	2020 RMB'000	2019 RMB'000
Within 30 days	**3,689**	–

26. ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Other payables for property, plant and equipment	**100**	100
Accruals and other payables *(note)*	**69,308**	45,942
	69,408	46,042

Note:

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

27. LEASE LIABILITIES

	2020		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	**469**	**521**	464	556
After 1 year but within 2 years	**422**	**451**	949	1,025
After 2 years but within 5 years	**99**	**213**	101	225
	990	**1,185**	1,514	1,806
Less: total future interest expenses		**(195)**		(292)
Present value of lease liabilities		**990**		1,514

	2020 RMB'000	2019 RMB'000
Non-current portion	**521**	1,050
Current portion	**469**	464
	990	1,514

27. LEASE LIABILITIES (Continued)

Total cash outflow for lease payment during the year ended 31 December 2020 was approximately RMB550,000 (2019: approximately RMB456,000).

28. BORROWINGS AND NOTE PAYABLE

	2020 **RMB'000**	2019 RMB'000
Unsecured:		
Note payable	**8,390**	8,886
Other borrowings	**10,656**	–
	19,046	8,886

	2020 **RMB'000**	2019 RMB'000
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	**19,046**	–
Within second to fifth years	**–**	8,886
	19,046	8,886

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 and note payable are as follows:

	2020 **%**	2019 %
Fixed rate borrowings (per annum)	**2.00-10.00**	2.00

29. DISPOSAL OF SUBSIDIARIES

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 *(note 8)*	1,171
Net cash inflow arising on disposal	17,521

30. DEFERRED REVENUE

	2020 **RMB'000**	2019 RMB'000
Arising from government grant *(note)*	**277**	302

Analysed for reporting purposes as:

	2020 **RMB'000**	2019 RMB'000
Non-current liabilities	**252**	277
Current liabilities	**25**	25
	277	302

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.

31. 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 2019, 31 December 2019, 1 January 2020 and 31 December 2020 of HK$0.01 each	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balances as at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 of HK$0.01 each	**880,838,000**	**8,808**	**7,308**

32. 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.

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.

Neither share options were granted nor exercised during the years ended 31 December 2020 and 2019.

32. SHARE OPTION SCHEME (Continued)

The total number of securities available for issue under the Share Option Scheme as at 31 December 2020 was 88,083,800 shares (2019: 88,083,800 shares) which represented approximately 10.0% (2019: approximately 10.0%) of the issued share capital of the Company.

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

	Number of share option					
Name of category of participants	At 1 January 2019 and 31 December 2019	At 1 January 2020 and 31 December 2020	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
Director						
Chan Chi Ching	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	17/07/2018	17/07/2018 to 16/07/2028	HK$0.207	HK$0.203
	8,684,000	8,684,000				
Other eligible participants						
Employees	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	17/07/2018	17/07/2018 to 16/07/2028	HK$0.207	HK$0.203
	26,052,000	26,052,000				
Consultants	30,000,000	30,000,000	10/04/2017	10/04/2017 to 09/04/2027	HK$0.510	HK$0.510
	8,684,000	8,684,000	17/07/2018	17/07/2018 to 16/07/2028	HK$0.207	HK$0.203
	38,684,000	38,684,000				
	64,736,000	64,736,000				
	73,420,000	73,420,000				
Weighted average exercise price (HK$)	0.373	0.373				

32. 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.

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.

Inputs into the model	2018	2017
Dividend yield (%)	0.66%	0.88%
Expected volatility (%)	38.72%	42.06%
Risk free insterest rate (%)	2.13%	1.46%
Expected life of options (year)	10	10
Stock price (HK$ per share)	0.203	0.510
Fair value at measurement date (HK$ each option)	0.08	0.21

At the end of reporting period of 2020 and 2019, the Company had 73,420,000 share options outstanding under the Share Option Scheme. Assuming that 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 years ended 31 December 2020 and 2019.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
Non-current asset			
Investment in subsidiaries		–*	–*
Current assets			
Financial assets at fair value through profit or loss		18,742	12,759
Other receivables and prepayments		2,821	490
Amounts due from subsidiaries		44,927	37,440
Bank balances and cash		440	1,568
		66,930	52,257
Current liabilities			
Accruals and other payables		33,565	5,722
Amounts due to subsidiaries		–	7,287
Borrowings		1,393	–
Note payable		8,390	–
		43,348	13,009
Net current assets		23,582	39,248
Total assets less current liabilities		23,582	39,248
Non-current liability			
Note payable		–	8,886
Net assets		23,582	30,362
Equity			
Share capital	31	7,308	7,308
Reserves	34	16,274	23,054
Total equity		23,582	30,362

* 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 30 June 2021 and are signed on its behalf by:

Chan Chi Ching
Executive Director

Su Hongbo
Executive Director

34. 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 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 and 1 January 2020	**445,247**	**9,980**	**25,802**	**(457,975)**	**23,054**
Loss and total comprehensive loss for the year	–	–	**(1,639)**	**(5,141)**	**(6,780)**
As at 31 December 2020	**445,247**	**9,980**	**24,163**	**(463,116)**	**16,274**

35. 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 2020 and 2019.

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.

35. CAPITAL RISK MANAGEMENT (Continued)

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

	2020 **RMB'000**	2019 RMB'000
Total borrowings *(note (a))*	**19,046**	8,886
Total equity attributable to the owners of the Company *(note (b))*	**594,824**	635,476
Gearing ratio	**3.2%**	1.4%

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.

36. 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$1,500 (2019: HK$: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 (2019: 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 RMB272,000 (2019: approximately RMB329,000) represents contributions paid or payable to these schemes by the Group in respect of the current accounting period.

37. OPERATING LEASES ARRANGEMENTS

The future aggregate minimum lease receipts under non-cancellable operating leases in respect of property, plant and equipment and investment property are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**13,920**	–
In the second to third year inclusive	**13,920**	–
In the third to fourth year inclusive	**13,920**	–
In the fourth to fifth year inclusive	**13,920**	–
In the fifth to sixth year inclusive	**6,960**	–
	62,640	–

38. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**28,392**	28,392

39. 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 2020 and 2019 is set out in note 12.

40. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2020 and 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 2020 Direct %	2020 Indirect %	2019 Direct %	2019 Indirect %	Principal activities
Quick Choice Holdings Limited	BVI	Hong Kong, 8 June 2016	Ordinary share US$1	100	–	100	–	Investment holding
Huisheng Enterprise Holdings Limited	BVI	Hong Kong, 19 August 2016	Ordinary share US$1	100	–	100	–	Investment holding
Fully Everfield Limited	BVI	Hong Kong, 16 December 2016	Ordinary share US$1	100	–	100	–	Investment holding
Century Classic Limited	BVI	Hong Kong, 17 October 2017	Ordinary share US$1	100	–	100	–	Investment holding
Hongkong Huisheng Meat Food Limited	Hong Kong	Hong Kong, 14 March 2006	Ordinary shares HK$5,000,000	–	100	–	100	Investment holding
Excellence Circle Limited	Hong Kong	Hong Kong, 3 June 2016	Ordinary share HK$1	–	100	–	100	Inactive
Huisheng Enterprise (Hong Kong) Limited	Hong Kong	Hong Kong, 6 September 2016	Ordinary share HK$1	–	100	–	100	Money lending business
Profitable Management Limited	Hong Kong	Hong Kong, 22 July 2016	Ordinary share HK$1	–	100	–	100	Provision of administrative services
Hunan Huisheng* (note (a))	The PRC	The PRC, 18 December 2007	Registered capital RMB136,700,000	–	100	–	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited* (note (b))	The PRC	The PRC, 19 August 2013	Registered capital RMB12,000,000	–	100	–	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited* (note (b))	The PRC	The PRC, 17 September 2013	Registered capital RMB16,000,000	–	71.9	–	71.9	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* (note (b))	The PRC	The PRC, 18 September 2014	Registered capital RMB15,000,000	–	100	–	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
株式會社Deson Japan	Japan	Japan, 1 July 2010	Registered capital JPY10,000,000	–	70	–	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:

(a) This subsidiary is wholly foreign owned enterprise in the PRC.

(b) These subsidiaries are domestic enterprise with limited liabilities established in the PRC.

40. 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.

41. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2021, as approved by the board of directors of the Company (including the independent non-executive directors) and consented by each of the grantee(s), the existing share options were cancelled with effect from 25 January 2021 in accordance with the terms of the share option scheme. No compensation is payable to the Grantees for cancellation of the share options. Please refer to the announcement of the Company dated 25 January 2021 for information regarding the cancellation of share options.

42. COMPARATIVES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 June 2021.

For the year ended 31 December 2020

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				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**29,663**	5,655	382,016	673,987	1,154,016
Cost of sales	**(31,746)**	(5,570)	(389,254)	(645,985)	(1,044,712)
Gross (loss)/profit	**(2,083)**	85	(7,238)	28,002	109,304
Other income	**22,022**	27,405	16,539	1,848	4,016
Other gain or loss, net	**(2,090)**	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	**(11,612)**	–	–	(5,644)	16,259
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss	**(987)**	(5,759)	(18,715)	33,110	27,709
Impairment loss of property, plant and equipment	**(7,847)**	(94,674)	(207,640)	–	–
Impairment loss of right-of-use assets	**–**	(6,204)	–	–	–
Impairment loss of investment property	**(459)**	–	–	–	–
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	**(12,489)**	(12,111)	(802)	–	–
Selling and distribution expenses	**(18)**	–	(6,310)	(11,194)	(21,366)
Administrative expenses	**(17,343)**	(22,007)	(58,328)	(35,422)	(54,558)
Finance costs	**(696)**	(1,256)	(8,346)	(8,640)	(9,361)
(Loss)/profit before taxation	**(33,602)**	(185,329)	(346,414)	2,073	72,003
Taxation	**(3,124)**	(6,240)	3,449	(3,042)	(2,684)
(Loss)/profit for the year	**(36,726)**	(191,569)	(342,965)	(969)	69,319
(Loss)/profit for the year attributable to:					
Owners of the Company	**(36,625)**	(191,516)	(342,953)	(275)	70,701
Non-controlling interests	**(101)**	(53)	(12)	(694)	(1,382)
	(36,726)	(191,569)	(342,965)	(969)	69,319

For the year ended 31 December 2020

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

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**700,910**	701,874	894,660	1,337,222	1,243,352
Total liabilities	**(102,770)**	(62,984)	(59,928)	(168,478)	(205,998)
Total equity	**598,140**	638,890	834,732	1,168,744	1,037,354