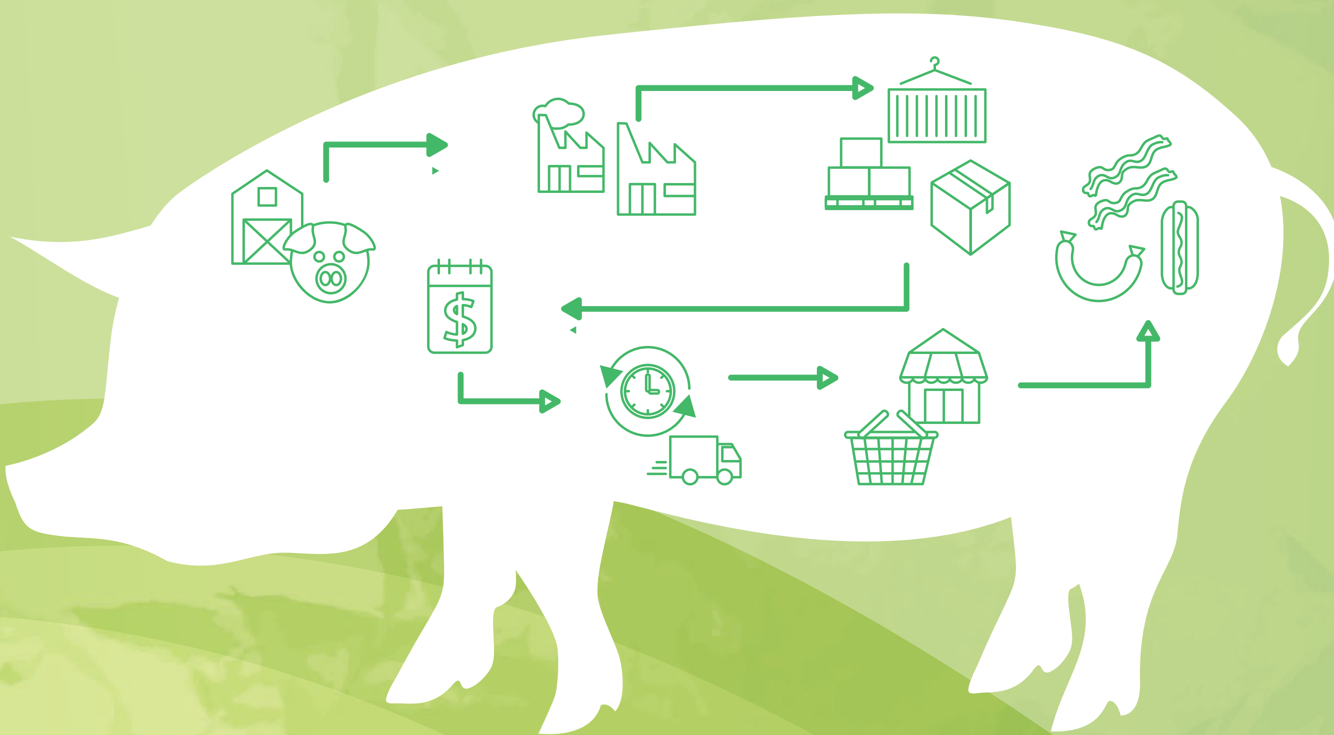
HUISHENG INTERNATIONAL HOLDINGS LIMITED

惠 生 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340



ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Chi Ching *(Retired on 30 June 2022)*
Ms. Qin Yuanling

Independent Non-executive Directors

Mr. Chan Hin Hang *(Retired on 30 June 2022)*
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*
Mr. Wong Yuk Lun, Alan
Dr. Wang Guiping
Mr. Huang Ruilin *(Appointed on 18 August 2022)*

COMPANY SECRETARY

Mr. Lau Chi Yuen

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Ching *(Retired on 30 June 2022)*
Ms. Qin Yuanling *(Appointed on 30 June 2022)*
Mr. Lau Chi Yuen

AUDIT COMMITTEE

Mr. Chan Hin Hang *(Retired on 30 June 2022)*
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*
Mr. Wong Yuk Lun, Alan *(Committee Chairman)*
Dr. Wang Guiping *(Appointed on 30 June 2022)*
Mr. Huang Ruilin *(Appointed on 18 August 2022)*

REMUNERATION COMMITTEE

Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*
Mr. Chan Chi Ching *(Retired on 30 June 2022)*
Mr. Chan Hin Hang *(Retired on 30 June 2022)*
Ms. Qin Yuanling *(Appointed on 30 June 2022 and resigned on 18 August 2022)*
Mr. Wong Yuk Lun, Alan *(Committee Chairman)*
Dr. Wang Guiping *(Appointed on 30 June 2022)*
Mr. Huang Ruilin *(Appointed on 18 August 2022)*

NOMINATION COMMITTEE

Mr. Chan Hin Hang *(Retired on 30 June 2022)*
Mr. Chan Chi Ching *(Retired on 30 June 2022)*
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*
Ms. Qin Yuanling *(Appointed on 30 June 2022 and resigned on 18 August 2022)*
Mr. Wong Yuk Lun, Alan *(Committee Chairman)*
Dr. Wang Guiping *(Appointed on 30 June 2022)*
Mr. Huang Ruilin *(Appointed on 18 August 2022)*

INVESTMENT AND TREASURY COMMITTEE

Mr. Chan Hin Hang *(Retired on 30 June 2022)*
Mr. Chan Chi Ching *(Retired on 30 June 2022)*
Mr. Wong Yuk Lun, Alan *(Committee Chairman)*
Dr. Wang Guiping *(Appointed on 30 June 2022)*
Ms. Qin Yuanling *(Appointed on 30 June 2022)*

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
17/F., Far East Finance Centre
16 Harcourt Road
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

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

In the past year, the outbreak of the COVID-19 Omicron variant had spread across the PRC, which caused disruption to the economic activities. The consumer catering industry had also been significantly affected by the changing quarantine policies and control measures. The COVID-19 pandemic impacted production in pork processing plants across the PRC with effects reverberating throughout the pork supply chain. The current daily slaughter volumes were at a low level, and the consumption of pork was relatively sluggish. Looking back at the trend of national hog price, the trading price of live hogs at the beginning of 2022 continued the downward trend at the end of 2021. But the decline gradually narrowed and started to rise after bottoming out in March 2022, triggering a new round of pig cycle.

Facing the complicated market situation, the Group's management decided to remain the cautious manner on resumption of pig business to minimise the operating costs and risk. We remained adopting the price control measures by purchasing piglets from independent pig farmers for fattening purposes and sent off for slaughtering. Besides, the Group has outsourced the hog slaughtering procedures to an independent slaughterhouse, and hogs are sent to the slaughterhouse for slaughtering. Afterward, the pork products are packed and sold directly or further processed upon the customers' requirements. This measure would lead the Group in stablising of the production costs and maximising of the Group's profit margin instead.

In November 2022, many local COVID-19 cases were found in Changde City. This crisis was last for 2-3 months, until January 2023. The city was in strict control management after being designated as high-risk area. Daily life-style and business activities were significantly affected under the lockdown policy. Also, during the past 2-3 years, the consumption pattern was changed during the self-quarantine at home. People intended to buy frozen meat food instead of fresh meat food which had adversely affected our sales in fresh meat food. That is why our sales in pork products did not meet the expected increment as compared with last year after the resumption of pork business. It is expected in the post-pandemic era, the consumption behavior will be back to traditional Chinese way, and our fresh pork product business will be back to the right track in 2023.

The change in consumption behavior, workforce availability, safety precautions requirement caused by COVID-19 pandemic had brought greater cost pressure to the Company's hog slaughtering business. To control costs and develop an industry chain has become the key to improve profitability and competitiveness. Given that the slaughtering permits of the existing slaughterhouse of the Group is still under resumption processes, the Group keeps seeking for alternative ways to resume our own slaughtering operation.

* *For identification purpose only*

Slaughtering Business

On 30 November 2022, Hunan Huisheng Meat Products Company Limited* ("**Hunan Huisheng**") (an indirect wholly-owned subsidiary of the Company) and Hunan Fengrun Agricultural Development Limited* (the "**JV Partner**") entered into a joint venture agreement (the "**JV Agreement**"), pursuant to which the parties agreed to establish a joint venture (the "**Joint Venture**") in Hunan Province, the PRC with a registered capital of RMB10 million, in which Hunan Huisheng and the JV Partner will obtain 60% and 40% equity interests of the Joint Venture respectively. The Joint Venture will become a subsidiary of the Company after the completion of the JV Agreement.

It is proposed that the Joint Venture will principally be engaged in the business of hog slaughtering and other related hog business in the PRC. The JV Partner will be responsible for, with the assistance from Hunan Huisheng, the application of slaughtering permit by the relevant government authorities. Hunan Huisheng will be responsible for the operation of the Joint Venture with a mature system and operation standards, with the objective to provide high quality service.

The cooperation with the JV Partner is optimal to the Group, in one hand the JV Partner, being a state-owned enterprise, can provide resources and assistance for the application of the slaughtering permit; and on the other hand can integrate and leverage the advantages of Hunan Huisheng, especially its experience in slaughtering business and huge market network in Hunan Province. The Directors expect that the Joint Venture can obtain the slaughtering permit and commence trial run in the first half of 2023, and once it commences commercial operation may then enhance the production efficiency and lower the production cost of the Group.

Pipe System Products Business

During the year under review, the pipe system products business met a significant challenge mainly due to the uncertainty of the COVID-19 pandemic in Japan. The delay of construction progress was in turn delayed our sales orders and affected our operations in pipe system products. Our team has been communicating with the customers in order for understanding the progress of construction, securing our potential sales order and resuming our services in that business segment. We expect our revenue for pipe system products may gradually improve as a result of obtaining more sales orders in the second half of 2023.

Settlement of Loan Receivables

As at 31 December 2022, most of loan receivables of the Group had been fully repaid and/or settled. The funds would allow the Group to maintain a certain level of cash balances to be utilised for the hog business resumption and meet any unpredicted future funding needs. The Company plans to run down the money lending business and currently has no plan to grant any new loans in near future.

* *For identification purpose only*

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB72.9 million, representing a decrease of approximately 10.3% or RMB8.4 million as compared with approximately RMB81.3 million in 2021, while the gross profit for the year was approximately RMB1.8 million as compared to a gross profit of RMB2.6 million in 2021. Such decrease was mainly due to a decrease in revenue from pipe system products business. For pork business, the revenue was increased by approximately RMB9.3 million or 16.5% to approximately RMB65.8 million in 2022. The revenue from pipelines business was decreased by approximately RMB17.7 million or 71.4% to approximately RMB7.1 million in 2022.

The selling and distribution expenses of the Group for the year ended 31 December 2022 decreased from approximately RMB87,000 to approximately RMB81,000.

For the year ended 31 December 2022, the administrative expenses of the Group were approximately RMB19.4 million, while it was approximately RMB19.4 million in 2021.

The Group has no finance cost in 2022, while it was approximately RMB0.8 million in 2021.

The loss attributable to owners of the Company in 2022 was approximately RMB5.6 million, while it was a loss of approximately RMB31.8 million in 2021. The gross profit margin of our business operations and a reversal of allowance for expected credit losses had been improved in 2022. The death and retirement of breeder hogs and porkers due to the pandemic of ASF was the key factor, which diminished to our overall performance in 2021.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2022 amounting to approximately RMB416.4 million (2021: approximately RMB131.6 million). The Group's current ratio as at 31 December 2022 was 5.1 (2021: 5.4). The total equity of the Group amounted to approximately RMB561.0 million (2021: approximately RMB574.1 million) as at 31 December 2022.

As at 31 December 2022, the Group had no outstanding borrowings (2021: nil).

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

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Euros, Japanese Yen and Hong Kong dollars for the year ended 31 December 2022. 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 2022, 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 2022 (2021: nil).

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was nil (2021: nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2022, the directors of the Company were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Except for the establishment of Joint Venture as mentioned under the section headed "Business Review" and "Material Acquisitions and Disposals" in this annual report, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group has no material acquisition and disposal of subsidiaries, associates or joint ventures for the year ended 31 December 2022.

On 30 November 2022, Hunan Huisheng and the JV Partner entered into a JV Agreement, pursuant to which the parties agreed to establish a joint venture (the "Joint Venture") in Hunan Province, the PRC with a registered capital of RMB10 million, in which Hunan Huisheng and the JV Partner will obtain 60% and 40% equity interests of the Joint Venture respectively. The Joint Venture will become a subsidiary of the Company after the completion of the JV Agreement.

It is proposed that the Joint Venture will principally be engaged in the business of hog slaughtering and other related hog business in the PRC.

For details, please refer to the announcement of the Company dated 30 November 2022.

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 2022 (2021: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 21 staff and workers in Hong Kong, Japan and the PRC (2021: 26). 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 2022, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2022 and the date of this annual report, there are a total of 880,838,000 issued shares of the Company.

OUTLOOK AND FUTURE PROSPECTS

The year of 2023 is a year full of hope, we have never been in a better position to end the pandemic. Although we are not there, the end is in sight. In December 2022, China ended its zero-COVID policy and announced nationwide loosening of COVID restrictions. Outlook for China and Hong Kong to combat the pandemic is encouraging and never at a better position since its outbreak three years ago.

Following the resumption of slaughtering business of the Group, the cost can be further controlled. The Company has been administering efforts in carrying out the layout of the industrial chain to improve the income of the Group.

China is the largest pork production and consumption market in the world. As an experienced pork company in the industry, the Group is gradually getting out of the haze of the pandemic and African Swine Fever, and is steadily moving towards full recovery of production capacity. The Group is continuously looking for different opportunities to strive the pork business back to right track, including (but not limited to) resumption of hog breeding and further expansion of slaughtering capacities. It is expected that, with our experience in the pork industry and network of established customers, the Group will play a more important role in the local pork supply chain and be able to capture a bigger market share in the future.

EVENTS AFTER THE YEAR END DATE

As disclosed in the section headed "Material Acquisitions and Disposals" in this annual report and the Company's announcement dated 30 November 2022, the JV Partner was introduced by an agent named Mr. Wu Guozhu (the "Subscriber"). Upon the completion of the establishment of Joint Venture and the Joint Venture successfully obtained the operation and slaughtering permits, the Subscriber intended to use the received service fee to subscribe 42,000,000 shares of the Company (the "Subscription Share(s)") at HK$0.053 (the "Subscription Price") per Subscription Share (the "Subscription"). The Joint Venture is expected to commence trial run in the first half year of 2023 and the Subscription will take place within three business days after the conditions have been fulfilled or waived (where applicable) (or such other date as the Company and the Subscriber may agree).

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Ms. Qin Yuanling (覃媛玲), aged 57, was appointed as an executive Director on 30 September 2021. She was also appointed as one of the authorised representative of the Company and a member of the Investment and Treasury Committee on 30 June 2022. Ms Qin studied at Changde Fundamental University (常德基礎大學) majoring in Electrical Automation from 1984 to 1987. From July 1987 to January 2000, she worked at Changde Cable Power Plant* (常德有線電廠). From January 2000 to October 2006, she worked at Huda Yuancheng Group Company Limited* (湖大遠程集團有限公司). From October 2009 to December 2012, she worked at Changde Jinda Commodity Concrete Company Limited* (常德市金達商品砼有限責任公司). She joined Hunan Huisheng Meat Products Company Limited* (湖南惠生肉業有限公司) ("Hunan Huisheng") in February 2013 and successively worked at the general department and finance department. Since May 2019, she has been a director of Hunan Huisheng.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Yuk Lun, Alan (黃玉麟), aged 48, was appointed as an independent non-executive Director on 6 July 2017. He is currently the chairman of each of the Audit Committee, the Investment and Treasury Committee, the Nomination Committee and the Remuneration Committee. Mr. Wong holds a bachelor's degree in Accounting and Finance in University of Sunderland. Mr. Wong had been working with various accounting firms and commercial companies for about 20 years' experience in merger and acquisitions, financial management, taxation, audit and non-audit services.

Mr. Wong has been appointed as a non-executive director of TFG International Group Limited (Stock Code: 542) with effect from 3 March 2023, the issued shares of which are listed on the Stock Exchange.

Mr. Wong is currently an executive director of NOVA Group Holdings Limited ("NOVA") (Stock Code: 1360) since 15 July 2020, and he has been appointed as the chairman of the board, chief executive officer, the chairman of the nomination committee, a member of remuneration committee, an authorised representative and process agent of NOVA, all of which took effect on 6 April 2023, the issued shares of which are listed on the Stock Exchange.

Mr. Wong has served as an independent non-executive director of Smart City Development Holdings Limited (Stock Code: 8268) since 29 July 2019 and Kin Shing Holdings Limited (Stock Code: 1630) since 16 December 2021, the issued shares of both of which are listed on the Stock Exchange. Mr. Wong has also served as an independent non-executive director of Temir Corp. (Stock Code: TMRR, a company listed on OTCQB Venture Market) since July 2019.

Mr. Wong was formerly an independent non-executive director of TUS International Limited (currently known as Titan Invo Technology Limited) (Stock Code: 872) from 2 September 2014 to 17 July 2020, the issued shares of which are listed on the Stock Exchange.

Dr. Wang Guiping (王貴平), aged 50, was appointed as an independent non-executive Director on 29 October 2020, and became a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investment and Treasury Committee of the Company on 30 June 2022. 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.

Mr. Huang, Ruilin (黄瑞林), aged 59, was appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee on 18 August 2022. He is currently a postgraduate tutor and researcher. In 1985, he graduated from the Department of School of Animal Science and Technology, School of Animal Medicine of the Huazhong Agricultural University (華中農業大學) with a bachelor's degree in agronomy. After graduation, he engaged in research on animal nutrition and physiology at the Institute of Subtropical Agriculture, the Chinese Academy of Sciences (中國科學院亞熱帶農業生態研究所). And he is also the deputy director of the Animal Nutrition and Environment Society (湖南省動物營養與環境學會) in Hunan Province of China. Since 2005, he has been an expert in the evaluation of national science and technology awards.

Mr. Huang has participated in and presided over a number of national key Research & Development ("R&D") projects, national key scientific and technological projects, international cooperation, the National Natural Science Foundation of China, and key projects of the Chinese Academy of Sciences.

He is currently undertaking China's 14th national key R&D project "Dynamic Nutrition Demand and Precision Nutrition Supply Technology of Pigs and Poultry", and serves as the chief scientist of the project in China. He has won the National Science and Technology Progress Award, the Ministry of Agriculture Science and Technology Progress Award, the Agricultural Science and Technology Award (Harvest Award), the Chinese Academy of Sciences Science and Technology Progress Award and many other awards.

COMPANY SECRETARY

Mr. Lau Chi Yuen (劉智遠), Mr. Lau, aged 47, 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.

During the year ended 31 December 2022, Mr. Lau has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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 39 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 7. 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 2022 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 44, 46 and 137 respectively.

Details of the distributable reserves of the Group and the Company for the year ended 31 December 2022 are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements respectively. As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMBnil (2021: approximately RMBnil).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: 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 30 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 articles of association of the Company (the "Articles of Association") 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 subsidiaries operating in the PRC and Japan are 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

None of borrowings of the Group as at 31 December 2022 (2021: nil).

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	16%	N/A
The five largest customers in aggregate	67%	N/A
The largest supplier	N/A	45%
The five largest suppliers in aggregate	N/A	99%

So far as the Board is 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 143 and 144 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.

For more details, please refer to the separate Environmental, Social and Governance Report for the year ended 31 December 2022 which will be available on the Company's website under the "Investors Relations – Financial Statements & ESG" section and the website of the Stock Exchange at the same time as the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2022, 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 2022, 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 *(Retired on 30 June 2022)*
Ms. Qin Yuanling

Independent non-executive Directors

Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*
Mr. Wong Yuk Lun, Alan
Mr. Chan Hin Hang *(Retired on 30 June 2022)*
Dr. Wang Guiping
Mr. Huang Ruilin *(Appointed on 18 August 2022)*

According to Article 84 of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three years.

According to Article 83(3), any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Thus, in accordance with Articles 83(3) and 84 of the Articles of Association, Dr. Wang Guiping and Mr. Huang Ruilin will retire at the AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The executive Director has entered into a service contract with the Company. The initial term of the executive Director under her respective service contract 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 executive Director 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 Yuk Lun, Alan, Dr. Wang Guiping and Mr. Huang Ruilin 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:

	2022	2021
Nil to HK$1,000,000	**–**	–

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.

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.

As at the date of this report, the total number of securities available for issue under the Share Option Scheme as at 31 December 2022 was 88,083,800 shares (31 December 2021: 88,083,800 shares) which represented approximately 10.0% (31 December 2021: approximately 10.0%) of the issued share capital of the Company.

On 28 July 2021, the Company granted a total of 88,080,000 options with the rights to subscribe 88,080,000 ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. The closing price per share immediately before the grant of options on 28 July 2021 was HK$0.083. A total of 88,080,000 options of which 44,040,000 options and 44,040,000 options were granted to the employees and consultants of the Group respectively, at an exercise price of HK$0.083 each.

The Share Option Scheme provides the grantees with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(1) to attract and retain the best quality personnel for the development of the Group's businesses;

(2) to provide additional incentives or rewards to selected eligible participants for their contribution to the creation of the Company's value; and

(3) to promote the long-term financial success of the Group by aligning the interest of grantees to those of the shareholders.

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

					Number of share options			
Name	**Title**	**Exercise price HK$**	**Date of Grant**	**Exercise period**	**Outstanding as at 1 Jan 2022**	**Granted during the year**	**Outstanding as at 31 December 2022**	**Note**
Employees								
		0.083	28/07/2021	28/07/2021-27/07/2024	44,040,000	–	44,040,000	1 and 2
	Sub-total:				44,040,000	–	44,040,000	
Consultants								
Lau Chi Yuen	Company Secretary	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	–	8,808,000	1
Liu Jianhua	Pig Business – Breeding and Slaughtering	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	–	8,808,000	1
Lee Kwok Leung	Pig Business – Trading	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	–	8,808,000	1
Ng Kwok Hung, Perry	Pig Business – Trading	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	–	8,808,000	1
Ng Ka Lun	Pipelines Business – Trading	0.083	28/07/2021	28/07/2021-27/07/2024	8,808,000	–	8,808,000	1
	Sub-total:				44,040,000	–	44,040,000	
	TOTAL:				**88,080,000**	**–**	88,080,000	

Notes:

1. The share options granted to the grantees have no vesting period and no vesting condition

2. Each employee holds not more than 1% of the shares of the Company.

The employees are responsible for various daily operational duties for the Group including but not limited to sales, marketing, business development and other administrative duties of the Group. The Board believes that the grant of options to employees shall provide incentives and motivates the grantees to perform their best towards the goal of the Group.

Mr. Lau Chi Yuen is the company secretary and the authorised representative of the Company. He provides company secretarial services and serves us with the updated amendments to the Listing Rules and other company secretarial affairs. Ms. Liu Jianhua is the business consultant of the PRC subsidiaries specialising in pig fattening and the sanitary environment of the hog farms and slaughterhouses and is responsible for coordinating to develop branding and marketing of the pig business in the PRC. Mr. Lee Kwok Leung and Mr. Ng Kwok Hung, Perry are responsible for liaising with new potential suppliers and customers to develop the pork products trading business and also coordinating in compilation of sales plans and sales proposals. Mr. Ng Ka Lun is responsible for the development of pipelines business and also assists to explore new business partners in the region of the South East Asia. All consultants have entered into service contracts with the Company with no fixed term of service.

The Company believes that the grant of share option provides motivation for the consultants to create value for the Company. The number of share options granted to them is determined with reference to the market and the potential benefits and/or income they may contribute to the Group.

No performance targets or clawback mechanism are required under the share option.

Among the above grantees, to the best of the Directors' knowledge, information and belief, none of the other grantees are overlapped or connected/related to each other.

Save as disclosed above, none of the outstanding share options were exercised or cancelled or lapsed during the year ended 31 December 2022.

Save for the Share Option Scheme as disclosed above, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The existing Share Option Scheme will expire on 10 February 2024. The shareholders of the Company will propose resolutions at the forthcoming annual general meeting of the Company to adopt a new share option scheme under which the Directors may grant options to eligible participants (the "Eligible Participant(s)") to subscribe for the Company's shares subject to the terms and conditions as stipulated therein.

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 2022, 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 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 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 2022, 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 2022 and up to the date of this annual report, the Director 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 Yuk Lun, Alan	NOVA Group Holdings Limited ("NOVA"), Stock Code: 1360	Money Lending Business	Executive director, chief executive officer and chairman 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 2022 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 2022.

MATERIAL CONTRACTS

During the year ended 31 December 2022, Hunan Huisheng and the JV Partner entered into a JV Agreement on 30 November 2022, pursuant to which the parties agreed to establish a Joint Venture in Hunan Province, the PRC with a registered capital of RMB10 million, in which Hunan Huisheng and the JV Partner will obtain 60% and 40% equity interests of the Joint Venture respectively. The Joint Venture will become a subsidiary of the Company after the completion of the JV Agreement.

It is proposed that the Joint Venture will principally be engaged in the business of hog slaughtering and other related hog business in the PRC. The JV Partner will be responsible for, with the assistance from Hunan Huisheng, the application of slaughtering permit by the relevant government authorities.

Furthermore, on 30 November 2022, the Company and the Subscriber entered into a subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price. The Subscription Shares will be allotted and issued under the General Mandate.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2022 are disclosed in note 38 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 7 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

Qin Yuanling
Executive Director

Hong Kong, 31 March 2023

The Company has adopted all the code provisions (the "Code Provision(s)") stated in the Corporate Governance Code ("CG Code") as set out in Appendix 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 2022, except as stated below:

1) Rule 3.10(1) of the Listing Rules states that every board of directors of a listed issuer must include at least three independent non-executive directors. Rule 3.21 of the Listing Rules states that every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2). The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

   Following the retirements of Mr. Chan Hin Hang and Mr. Wong King Shiu, Daniel on 30 June 2022 and before the appointment of Mr. Huang Ruilin as an independent non-executive Director with effect from 18 August 2022, the Company has failed to comply with the requirements as set out in Rules 3.10(1) and 3.21 of the Listing Rules.

2) Under Code Provision C.1.6 of the CG Code, independent non-executive directors shall attend general meetings to gain and develop a balanced understanding of the view of shareholders. Mr. Chan Hin Hang was unable to attend the annual general meeting of the Company held on 30 June 2022 due to his engagement in other commitment.

THE BOARD OF DIRECTORS

The Board is responsible for managing the Company on behalf of the Shareholders. 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 four Directors, including an executive Director, Ms. Qin Yuanling and three independent non-executive Directors, Mr. Wong Yuk Lun, Alan, Mr. Huang Ruilin, and Dr. Wang Guiping in compliance with the requirement of the 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 13 and the biographical details of the Directors and relevant relationships among them (if any) are set out on pages 8 to 9 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 14 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 2022, eleven 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 Directors		
Mr. Chan Chi Ching *(Retired on 30 June 2022)*	1/1	4/4
Ms. Qin Yuanling	1/1	11/11
Independent non-executive Directors		
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*	1/1	4/4
Mr. Wong Yuk Lun, Alan	1/1	11/11
Mr. Chan Hin Hang *(Retired on 30 June 2022)*	0/1	4/4
Dr. Wang Guiping	1/1	11/11
Mr. Huang Ruilin *(Appointed on 18 August 2022)*	N/A	4/4

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. 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

Pursuant to the code provision A.3 of the CG Code, listed issuers are regulated to adopt a 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.

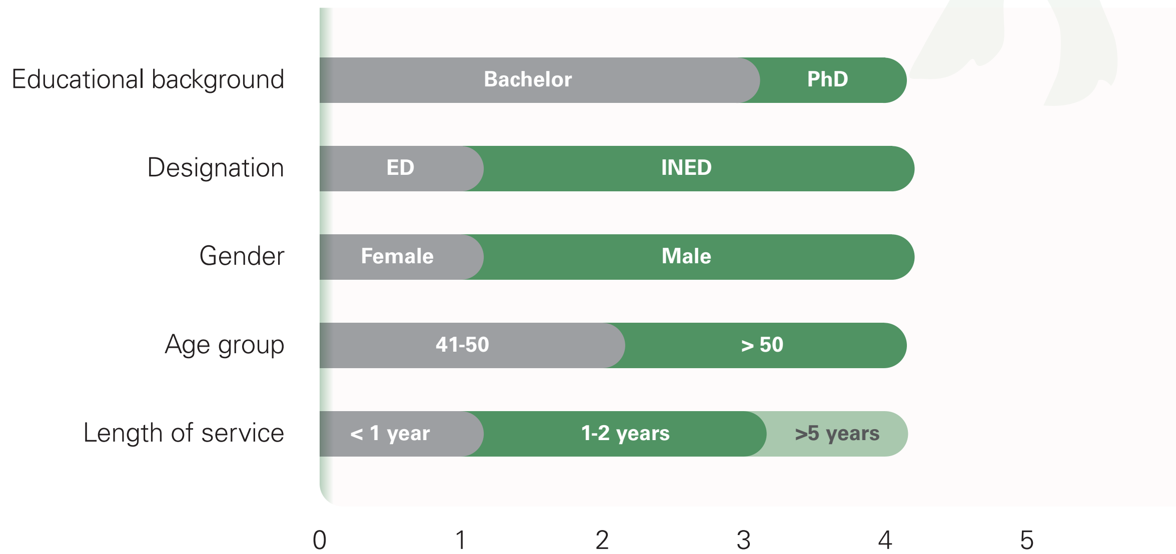
Measurable objectives

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:



MODEL CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code during the year ended 31 December 2022.

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 2022.

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 (updated and revised on 19 January 2023) in compliance with Rule 3.25 of the Listing Rules and Code Provision E.1.2 of the CG Code, 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 Yuk Lun, Alan, Dr. Wang Guiping and Mr. Huang Ruilin. Mr. Wong Yuk Lun, Alan is the chairman of the Remuneration Committee.

WORK SUMMARY OF REMUNERATION COMMITTEE

In 2022, the Remuneration Committee held two meetings to review the remuneration policy and packages for all Directors and senior management. Details of attendance of members at meeting of the Remuneration Committee held during the year ended 31 December 2022 are set out as follows:

	Attendance/ Number of meetings
Mr. Wong King Shiu, Daniel *(Committee Chairman) (Retired on 30 June 2022)*	1/1
Mr. Wong Yuk Lun, Alan *(Appointed as Committee Chairman on 30 June 2022)*	2/2
Mr. Chan Chi Ching *(Retired on 30 June 2022)*	1/1
Mr. Chan Hin Hang *(Retired on 30 June 2022)*	1/1
Ms. Qin Yuanling *(Appointed on 30 June 2022 and resigned on 18 August 2022)*	1/1
Dr. Wang Guiping *(Appointed on 30 June 2022)*	1/1
Mr. Huang Ruilin *(Appointed on 18 August 2022)*	N/A

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;
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules (come into effect from 1 January 2023).

NOMINATION COMMITTEE

The Company established a Nomination Committee on 11 February 2014 with written terms of reference in compliance with Rule 3.27A of the Listing Rules and Code Provision B.3 of the CG Code, 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 has specific written terms of reference which are of no less exacting terms than those stipulated in CG Code. The Nomination Committee currently consists of Mr. Wong Yuk Lun, Alan, Dr. Wang Guiping and Mr. Huang Ruilin. Mr. Wong Yuk Lun, Alan is the chairman of the Nomination Committee.

WORK SUMMARY OF NOMINATION COMMITTEE

In 2022, 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 2021; 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 2022 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang *(Committee Chairman) (Retired on 30 June 2022)*	1/1
Mr. Chan Chi Ching *(Retired on 30 June 2022)*	1/1
Mr. Wong Yuk Lun, Alan *(Appointed as Committee Chairman on 30 June 2022)*	2/2
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*	1/1
Mr. Huang Ruilin (Appointed on 18 August 2022)	N/A
Dr. Wang Guiping (Appointed on 30 June 2022)	1/1
Ms. Qin Yuanling (Appointed on 30 June 2022 and resigned on 18 August 2022)	1/1

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 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 Code Provision D.3 of the CG 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. It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code. The Audit Committee currently consists of Mr. Wong Yuk Lun, Alan, Dr. Wang Guiping and Mr. Huang Ruilin. Mr. Wong Yuk Lun, Alan is currently the chairman of the Audit Committee.

WORK SUMMARY OF AUDIT COMMITTEE

The Audit Committee held three meetings during the year ended 31 December 2022 and had performed the following work:–

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2021;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2022;
- reviewed the external auditors' statutory audit plan, audit scope and engagement letters;
- reviewed and recommended for approval by the Board the 2022 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 2021; 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 2022 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang *(Committee Chairman) (Retired on 30 June 2022)*	2/2
Mr. Wong Yuk Lun, Alan *(Appointed as Committee Chairman on 30 June 2022)*	3/3
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*	2/2
Dr. Wang Guiping *(Appointed on 30 June 2022)*	1/1
Mr. Huang Ruilin *(Appointed on 18 August 2022)*	1/1

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 to 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 Ms. Qin Yuanling, Dr. Wang Guiping and Mr. Wong Yuk Lun, Alan. Mr. Wong Yuk Lun, Alan is the chairman of the Investment and Treasury Committee.

WORK SUMMARY OF INVESTMENT AND TREASURY COMMITTEE

In 2022, the Investment and Treasury Committee held two meetings to review the accounts, investments plans of the Company. It also reviewed and recommended to 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 2022 are set out as follows:

	Attendance/ Number of meetings
Mr. Chan Hin Hang *(Committee Chairman) (Retired on 30 June 2022)*	1/1
Mr. Chan Chi Ching *(Retired on 30 June 2022)*	1/1
Mr. Wong Yuk Lun, Alan *(Appointed as Committee Chairman on 30 June 2022)*	2/2
Ms. Qin Yuanling *(Appointed on 30 June 2022)*	1/1
Dr. Wang Guiping *(Appointed on 30 June 2022)*	1/1

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 the changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the year ended 31 December 2022, 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 2022 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 4 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 RMB800,000.

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 set out in Code Provision A.2 of the CG Code. 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 2022 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 of Association, 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 2022, the Directors complied with the Code Provision C.1.4 of the CG Code on participation in continuous professional training as follows:

	Mode of participation	
	a	**b**
Executive Directors		
Mr. Chan Chi Ching *(Retired on 30 June 2022)*	✓	✓
Ms. Qin Yuanling	✓	✓
Independent Non-Executive Directors		
Mr. Wong King Shiu, Daniel *(Retired on 30 June 2022)*	✓	✓
Mr. Wong Yuk Lun, Alan	✓	✓
Mr. Chan Hin Hang *(Retired on 30 June 2022)*	✓	✓
Dr. Wang Guiping	✓	✓
Mr. Huang Ruilin *(Appointed on 18 August 2022)*	✓	✓

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 was engaged acting as the company secretary of the Company and the authorised representative of the Company on 31 May 2019. Mr. Lau possesses the necessary qualifications and experience as listed out in Rule 3.28 of the Listing Rules, and is capable of performing the functions of the Company Secretary. Pursuant to Code Provision C.6.1 of the CG Code, an issuer can engage an external service provider to provide company secretarial services, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact.

The biographical details of Mr. Lau are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

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 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 2022.

To comply with the recent amendments to the Listing Rules, resolutions will be proposed at the forthcoming annual general meeting of the Company to adopt the third amended and restated memorandum and articles of association of the Company.

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 44 to 142, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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

Impairment assessment of property, plant and equipment

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

As at 31 December 2022, the Group had property, plant and equipment of approximately RMB174,693,000 (2021: approximately RMB183,743,000). 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. No impairment loss on property, plant and equipment was recognised for the year (2021: an impairment loss on property, plant and equipment of approximately RMB6,898,000 was recognised). This conclusion was based on the selection of appropriate comparables and assumptions such as the recent transaction price for similar properties adjusted by the property-specific qualitative factors. 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.

Significant judgements were involved in the impairment assessment of property, plant and equipment.

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;
- evaluating the appropriateness of the value-in-use and fair value less costs of disposal model adopted for the impairment assessments;
- comparing the current year's actual results with prior year's forecast, where applicable, to consider whether any past forecast including any assumptions, with hindsight, had been aggressive;
- assessing the appropriateness of the methodology, key assumptions and research evidence of comparable market transactions for similar properties, 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.

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 THE 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 Fong Ka Yiu.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Fong Ka Yiu
Practicing Certificate Number: P08080

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Revenue	6	**72,947**	81,291
Cost of sales		**(71,106)**	(78,689)
Gross profit		**1,841**	2,602
Other income	6	**11,362**	9,131
Other gain or loss, net	8	**(3,494)**	(16,724)
Loss arising from change in fair value less costs to sell of biological assets	19	**–**	(12,103)
Gain arising from change in fair value of financial assets at fair value through profit or loss	11	**292**	776
Impairment loss of property, plant and equipment	16	**–**	(6,898)
Reversal of allowance for expected credit losses, net		**484**	11,550
Selling and distribution expenses		**(81)**	(87)
Administrative expenses		**(19,361)**	(19,351)
Finance costs	9	**–**	(779)
Loss before taxation		**(8,957)**	(31,883)
Taxation	10	**–**	–
Loss for the year	11	**(8,957)**	(31,883)
Other comprehensive (expense)/income 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		**(230)**	370
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,972)**	8,293
Other comprehensive (expense)/income for the year, net of income tax		**(4,202)**	8,663
Total comprehensive expense for the year		**(13,159)**	(23,220)

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Loss for the year attributable to :			
Owners of the Company		**(5,645)**	(31,771)
Non-controlling interests		**(3,312)**	(112)
		(8,957)	(31,883)
Total comprehensive expense attributable to:			
Owners of the Company		**(9,767)**	(23,128)
Non-controlling interests		**(3,392)**	(92)
		(13,159)	(23,220)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	**(0.64)**	(3.61)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	16	**174,693**	183,743
Right-of-use assets	17	**9,288**	9,550
Investment property	18	**10,900**	11,700
Biological assets	19	**–**	387
Financial assets at fair value through other comprehensive income	21	**640**	870
		195,521	206,250
Current assets			
Inventories	20	**2,110**	3,326
Financial assets at fair value through profit or loss	22	**5,155**	5,198
Trade receivables	23	**11,142**	11,214
Loan receivables	24	**2,860**	248,458
Prepayments, deposits and other receivables	24	**18,335**	52,690
Bank balances and cash	25	**416,389**	131,581
		455,991	452,467
Current liabilities			
Trade payables	26	**6,556**	3,463
Accruals and other payables	27	**74,290**	71,404
Deferred revenue	29	**25**	25
Tax payable		**9,360**	9,360
		90,231	84,252
Net current assets		**365,760**	368,215
Total assets less current liabilities		**561,281**	574,465

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	28	**102**	102
Deferred revenue	29	**202**	227
		304	329
Net assets		**560,977**	574,136
Equity			
Share capital	30	**7,308**	7,308
Reserves		**556,275**	566,042
Equity attributable to owners of the Company		**563,583**	573,350
Non-controlling interests		**(2,606)**	786
Total equity		**560,977**	574,136

Approved by the board of directors on 31 March 2023 and signed on its behalf by:

Qin Yuanling
Director

Wong Yuk Lun, Alan
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 2022

	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 2021	7,308	445,247	(84)	43,233	17,091	9,980	(1,000)	73,049	594,824	3,316	598,140
Loss for the year	–	–	–	–	–	–	–	(31,771)	(31,771)	(112)	(31,883)
Other comprehensive income for the year	–	–	8,273	–	–	–	370	–	8,643	20	8,663
Total comprehensive income/ (expense) for the year	–	–	8,273	–	–	–	370	(31,771)	(23,128)	(92)	(23,220)
Changes in ownership interest of a subsidiary *(note 39)*	–	–	–	–	(762)	–	–	–	(762)	(2,438)	(3,200)
Recognition of equity-settled share-based payment *(note 31)*	–	–	–	–	–	2,416	–	–	2,416	–	2,416
Cancellation of share option granted *(note 31)*	–	–	–	–	–	(9,980)	–	9,980	–	–	–
As at 31 December 2021 and 1 January 2022	7,308	445,247	8,189	43,233	16,329	2,416	(630)	51,258	573,350	786	574,136
Loss for the year	–	–	–	–	–	–	–	(5,645)	(5,645)	(3,312)	(8,957)
Other comprehensive expense for the year	–	–	(3,892)	–	–	–	(230)	–	(4,122)	(80)	(4,202)
Total comprehensive expense for the year	–	–	(3,892)	–	–	–	(230)	(5,645)	(9,767)	(3,392)	(13,159)
As at 31 December 2022	7,308	445,247	4,297	43,233	16,329	2,416	(860)	45,613	563,583	(2,606)	560,977

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Operating activities			
Loss before taxation		**(8,957)**	(31,883)
Adjustments for:			
Interest income	6	**(1,304)**	(1,279)
Amortisation of deferred revenue	6	**(25)**	(25)
Finance costs	9	**–**	779
Depreciation of property, plant and equipment	11	**9,050**	9,169
Depreciation of right-of-use assets	11	**262**	376
Depreciation of investment property	11	**800**	800
Impairment loss of property, plant and equipment	16	**–**	6,898
Write-down of inventories	8	**3,107**	–
Loss arising from change in fair value less costs to sell of biological assets	19	**–**	12,103
Gain arising from change in fair value of financial assets at fair value through profit or loss	11	**(292)**	(776)
Loss on disposal of biological assets	8, 19	**387**	16,763
Gain on termination of lease	8	**–**	(39)
Equity-settled share-based payment expenses	31	**–**	2,416
Reversal of allowance for expected credit losses, net		**(484)**	(11,550)
Operating cash flows before movements in working capital		**2,544**	3,752
Increase in inventories		**(1,891)**	(3,326)
Increase in biological assets		**–**	(2,955)
Decrease in financial assets at fair value through profit or loss		**817**	13,972
Increase in trade receivables		**(7,218)**	(438)
Decrease in loan receivables		**251,143**	71,050
Decrease in prepayments, deposits and other receivables		**36,656**	54,178
Increase/(decrease) in trade payables		**3,173**	(226)
(Decrease)/increase in accruals and other payables		**(1,132)**	1,996
Cash generated from operating activities		**284,092**	138,003
Interest received		**173**	1,113
Net cash generated from operating activities		**284,265**	139,116

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Investing activities			
Interest received	6	**640**	166
Acquisition of additional interest in a subsidiary		**–**	(3,200)
Net cash generated from/(used in) investing activities		**640**	(3,034)
Financing activities			
Interest paid	25	**–**	(785)
Repayments of borrowings	25	**–**	(10,483)
Repayments of note payable	25	**–**	(8,302)
Repayment of lease liabilities	25, 28	**–**	(128)
Net cash used in financing activities		**–**	(19,698)
Net increase in cash and cash equivalents		**284,905**	116,384
Cash and cash equivalents at the beginning of the year		**131,581**	14,936
Effect of foreign exchange rate changes		**(97)**	261
Cash and cash equivalents at the end of the year		**416,389**	131,581

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 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 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

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

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[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]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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 by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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 interests in existing subsidiaries

Changes in the Group's 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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.

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

Significant accounting policies (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

Significant accounting policies (Continued)

Business combinations (Continued)

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 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.

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 retrospectively 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.

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.

Contracts with multiple performance obligations (including allocation of transaction price)

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 stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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 or 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 Group presents lease liabilities as a separate line on 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 2022; 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.

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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

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

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.

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

Significant accounting policies (Continued)

Foreign currencies (Continued)

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

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.

For the year ended 31 December 2022

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

Significant accounting policies (Continued)

Government grants (Continued)

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.

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

Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. 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	6.22%–8.63%
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.

For the year ended 31 December 2022

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 testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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.

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.

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

Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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.

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of the Group's cash management.

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

Significant accounting policies (Continued)

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

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 present as a separate line item.

(ii) Impairment of financial assets subject to impairment assessment under HKFRS 9

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 subject to impairment assessment under HKFRS 9 (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 subject to impairment assessment under HKFRS 9 (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 subject to impairment assessment under HKFRS 9 (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.

Liftetime ECL for trade receivables, loan receivables and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, 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 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 assets/liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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 2022, there were trade receivables, loan receivables, other receivables and deposits approximately RMB18,415,000, RMB2,965,000 and RMB17,040,000 (2021: approximately RMB11,358,000, RMB251,311,000 and RMB57,043,000), respectively, net of allowances for expected credit losses of approximately RMB7,273,000, RMB105,000 and RMB365,000 (2021: approximately RMB144,000, RMB2,853,000 and RMB5,073,000), 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 and deposits are disclosed in notes 23 and 24 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 2022, certain of the Group's financial assets, unlisted equity instruments amounting to approximately RMB640,000 (2021: approximately RMB870,000) 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. Details of the key assumptions and inputs used are disclosed in note 5(c).

For the year ended 31 December 2022

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Amortised cost		
– Trade receivables	**11,142**	11,214
– Loan receivables	**2,860**	248,458
– Other receivables and deposits	**16,675**	51,970
– Bank balances and cash	**416,389**	131,581
	447,066	443,223
Financial assets at FVPL	**5,155**	5,198
Financial assets at FVOCI	**640**	870
	452,861	449,291
Financial liabilities		
Amortised cost		
– Trade payables	**6,556**	3,463
– Accruals and other payables	**74,290**	71,404
– Lease liabilities	**102**	102
	80,948	74,969

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, bank balances and cash, financial assets at FVPL, financial assets at FVOCI, trade payables, accruals and other payables and lease liabilities. 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% (2021: 5%) higher/lower, loss after tax for the year ended 31 December 2022 would decrease/increase by approximately RMB215,000 (2021: RMB217,000) 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 deposits. 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 2022 and 2021.

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 2022 and 2021, 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 2022 and 2021, the top three debtors and the largest debtor accounted for approximately 55.3% and 29.8% (2021: approximately 42.2% and 21.9%) 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 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 2022 and 2021:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2022			
Current (not past due) and less than 90 days past due	5.7%	7,811	445
Over 90 days and less than 1 year past due	15.1%	4,449	673
More than 1 year past due	100.0%	6,155	6,155
		18,415	7,273
As at 31 December 2021			
Current (not past due) and less than 90 days past due	1.3%	11,358	144

The following tables show reconciliation of loss allowances that have been recognised for trade receivables as at 31 December 2022 and 2021:

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Trade receivables			
At 1 January 2021	105	–	105
Changes due to financial instruments recognised during the year ended 31 December 2021:			
– Impairment loss recognised	121	–	121
– Impairment loss reversed	(72)	–	(72)
Exchange realignment	(10)	–	(10)
At 31 December 2021 and 1 January 2022	144	–	144
Changes due to financial instruments recognised during the year ended 31 December 2022:			
– Impairment loss recognised	1,073	5,927	7,000
– Impairment loss reversed	(27)	–	(27)
Exchange realignment	(73)	229	156
At 31 December 2022	1,117	6,156	7,273

During the year ended 31 December 2022, the Group provided net amount of approximately RMB6,973,000 (2021: RMB49,000) impairment allowance for trade receivables, based on collective assessment. Impairment allowance of approximately RMB5,927,000 (2021: nil) were made on credit-impaired debtors due to the Group considered an event of default occured.

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)
Under-performing	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 2022 and 2021 was determined as follows:

Loan receivables	2022 Performing RMB'000	2022 Total RMB'000	2021 Performing RMB'000	2021 Total RMB'000
Expected loss rate	**3.5%**		1.1%	
Gross carrying amount	**2,965**	**2,965**	251,311	251,311
Loss allowance	**105**	**105**	2,853	2,853

Other receivables and deposits	2022 Performing RMB'000	2022 Total RMB'000	2021 Performing RMB'000	2021 Under-performing RMB'000	2021 Total RMB'000
Expected loss rate	**2.1%**		1.0%	38.5%	
Gross carrying amount	**17,040**	**17,040**	45,043	12,000	57,043
Loss allowance	**365**	**365**	453	4,620	5,073

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 2022 and 2021:

	12m ECL RMB'000	Total RMB'000
Loan receivables		
At 1 January 2021	4,342	4,342
Changes due to financial instruments recognised during the year ended 31 December 2021:		
– Impairment losses recognised	288	288
– Impairment losses reversed	(1,775)	(1,775)
Exchange realignment	(2)	(2)
At 31 December 2021 and 1 January 2022	2,853	2,853
Changes due to financial instruments recognised during the year ended 31 December 2022:		
– Impairment losses recognised	80	80
– Impairment losses reversed	(2,835)	(2,835)
Exchange realignment	7	7
At 31 December 2022	105	105

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 2021	928	14,274	15,202
Changes due to financial instruments recognised during the year ended 31 December 2021:			
– Impairment losses recognised	230	–	230
– Impairment losses reversed	(688)	(9,654)	(10,342)
Exchange realignment	(17)	–	(17)
At 31 December 2021 and 1 January 2022	453	4,620	5,073
Changes due to financial instruments recognised during the year ended 31 December 2022:			
– Impairment losses recognised	165	–	165
– Impairment losses reversed	(247)	(4,620)	(4,867)
Exchange realignment	(6)	–	(6)
At 31 December 2022	365	–	365

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.

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 2022							
Non-derivative financial liabilities							
Trade payables	–	6,556	–	–	–	6,556	6,556
Accruals and other payables	–	74,290	–	–	–	74,290	74,290
Lease liabilities	9.59	–	115	–	116	231	102
		80,846	115	–	116	81,077	80,948

	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 2021							
Non-derivative financial liabilities							
Trade payables	–	3,463	–	–	–	3,463	3,463
Accruals and other payables	–	71,404	–	–	–	71,404	71,404
Lease liabilities	9.59	–	–	115	116	231	102
		74,867	–	115	116	75,098	74,969

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

(i) 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 2022

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVPL	**5,155**	**–**	**–**	**5,155**
Financial assets at FVOCI	**–**	**–**	**640**	**640**
	5,155	**–**	**640**	**5,795**

As at 31 December 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	5,198	–	–	5,198
Financial assets at FVOCI	–	–	870	870
	5,198	–	870	6,068

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(i) Fair value hierarchy (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2022	2021			
	RMB'000	RMB'000			
Listed equity securities in HK	**5,155**	5,198	Level 1	Quoted bid prices in an active market	N/A
Private equity investments at FVOCI	**640**	870	Level 3	Market approach – Median of EV/EBIT ratio – PB ratio	Discount for lack of marketability of 42.9% (2021: 42.9%)

Note:

A slight increase in the discount for lack of marketability used in isolation would result in a slight decrease in the fair value measurement of the private equity investments at FVOCI, and vice versa. A 2% (2021: 2%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of private equity investments at FVOCI by approximately RMB22,000 (2021: approximately RMB30,000).

There were no transfers between Level 1 and Level 2 and transfers into 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.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Financial assets at FVOCI RMB'000
At 1 January 2021	500
Total gains:	
– in other comprehensive income	370
At 31 December 2021	870
Total losses:	
– in other comprehensive expense	(230)
At 31 December 2022	640

Included in other comprehensive expense is an amount of loss of approximately RMB230,000 (2021: gain of approximately RMB370,000) relating to unlisted equity securities classified as equity instruments at FVOCI held at the end of the current reporting period and is reported as changes of revaluation reserve.

6. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the years ended 31 December 2022 and 2021 is as follows:

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers		
Recognition at a point in time		
Sale of pork products	**65,851**	56,513
Sale of pipe system products	**7,096**	24,778
	72,947	81,291

6. REVENUE AND OTHER INCOME (Continued)

	2022 RMB'000	2021 RMB'000
Other income		
Interest income on:		
Bank deposits	**640**	166
Loan receivables	**664**	1,113
Total interest income	**1,304**	1,279
Amortisation of deferred revenue	**25**	25
Rental income	**7,817**	7,817
Government grants *(note)*	**1,043**	–
Refund of Japan consumption tax	**437**	–
Reversal of trade receivables written off in previous years	**637**	–
Sundry income	**99**	10
	11,362	9,131

Note:

During the year, the Group recognised government grant of RMB987,000 (2021: nil) in respect of subsides and awards from local government authorities for the Group's contribution to the development of the local economics.

The remaining government grant of RMB56,000 (2021: nil) in respect of 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.

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

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 2022			
Segment revenue	**65,851**	**7,096**	**72,947**
Segment results	**4,242**	**(11,041)**	**(6,799)**
Gain arising from change in fair value of financial assets at fair value through profit or loss			**292**
Reversal of allowance for expected credit losses, net			**2,766**
Unallocated corporate income			**1,299**
Unallocated corporate expenses			**(6,515)**
Loss before taxation			**(8,957)**

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 2021			
Segment revenue	56,513	24,778	81,291
Segment results	(25,815)	(340)	(26,155)
Other gain or loss, net			39
Gain arising from change in fair value of financial assets at fair value through profit or loss			776
Reversal of allowance for expected credit losses, net			1,530
Unallocated corporate income			1,121
Unallocated corporate expenses			(8,415)
Finance costs			(779)
Loss before taxation			(31,883)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated corporate income, other gain or loss, net, gain arising from change in fair value of financial assets at fair value through profit or loss, reversal of allowance for expected credit losses, net and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

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 2022			
Segment assets	**622,148**	**18,527**	**640,675**
Segment liabilities	**(23,399)**	**(12,367)**	**(35,766)**

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Total RMB'000
At 31 December 2021			
Segment assets	374,387	25,421	399,808
Segment liabilities	(22,029)	(7,108)	(29,137)

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Reconciliation of reportable segments' assets and liabilities:

	2022 RMB'000	2021 RMB'000
Assets		
Total assets of reportable segments	**640,675**	399,808
Unallocated and other corporate assets:		
Financial assets at fair value through profit or loss	**5,155**	5,198
Loan receivables	**2,860**	248,458
Prepayments, deposits and other receivables	**1,287**	1,473
Bank balances and cash	**1,535**	3,780
Consolidated total assets	**651,512**	658,717
Liabilities		
Total liabilities of reportable segments	**35,766**	29,137
Unallocated and other corporate liabilities:		
Accruals and other payables	**45,409**	46,084
Tax payable	**9,360**	9,360
Consolidated total liabilities	**90,535**	84,581

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

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

- all liabilities are allocated to operating segments other than unallocated and other corporate liabilities (mainly comprising accruals and other payables and tax payable).

For the year ended 31 December 2022

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 2022				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	**9,050**	**–**	**–**	**9,050**
Depreciation of right-of-use assets	**262**	**–**	**–**	**262**
Depreciation of investment property	**800**	**–**	**–**	**800**
Write-down of inventories	**–**	**3,107**	**–**	**3,107**
(Reversal of allowance)/allowance for expected credit losses, net	**(3,652)**	**5,934**	**(2,766)**	**(484)**

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2021				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	9,050	–	119	9,169
Depreciation of right-of-use assets	262	–	114	376
Depreciation of investment property	800	–	–	800
Loss arising from change in fair value less costs to sell of biological assets	12,103	–	–	12,103
Impairment loss of property, plant and equipment	6,898	–	–	6,898
(Reversal of allowance)/allowance for expected credit losses, net	(10,237)	217	(1,530)	(11,550)

Revenue from major products and services

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

	2022 RMB'000	2021 RMB'000
Slaughtering and trading of pork products	**65,851**	56,513
Pipe system products	**7,096**	24,778
	72,947	81,291

7. SEGMENT INFORMATION (Continued)

Information about geographical areas

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

	2022 RMB'000	2021 RMB'000
Revenue		
– The PRC	**65,851**	56,513
– Japan	**7,096**	24,778
	72,947	81,291

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

The Group's geographical concentration risk is mainly in the PRC and Japan, which accounted for 90% (2021: 70%) and 10% (2021: 30%) of the total revenue during the year ended 31 December 2022 respectively.

Information about major customers

For the year ended 31 December 2022, revenue generated from five (2021: three) customers of the Group which have 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 2022 and 2021.

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

	2022 RMB'000	2021 RMB'000
Customer A from pipe system products *(note)*	**–**	13,872
Customer B from slaughtering and trading of pork products	**11,572**	9,349
Customer C from slaughtering and trading of pork products	**10,512**	8,638
Customer D from slaughtering and trading of pork products *(note)*	**8,949**	–
Customer E from slaughtering and trading of pork products *(note)*	**8,297**	–
Customer F from slaughtering and trading of pork products *(note)*	**9,798**	–

Note:

The revenue contributed by Customer A during the year ended 31 December 2022 and Customer D, Customer E and Customer F during the year ended 31 December 2021 was less than 10% of the Group's revenue.

For the year ended 31 December 2022

8. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
	RMB'000	RMB'000
Loss on disposal of biological assets *(note 19)*	**(387)**	(16,763)
Gain on termination of lease	**–**	39
Write-down of inventories	**(3,107)**	–
	(3,494)	(16,724)

9. FINANCE COSTS

	2022	2021
	RMB'000	RMB'000
Interest on:		
– Borrowings wholly repayable within five years *(note 25)*	**–**	655
– Note payable *(note 25)*	**–**	108
– Lease liabilities *(note 25)*	**–**	16
	–	779

10. TAXATION

	2022	2021
	RMB'000	RMB'000
Current tax – Japan		
Charge for the year	**–**	–
Current tax – PRC		
Charge for the year	**–**	–
Income tax charge	**–**	–

10. TAXATION (Continued)

Hong Kong

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

PRC

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

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

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

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2022 and 2021.

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

Japan

Japan corporate income tax has been calculated on the estimated assessable profit for the year ended 31 December 2022 at the rates of taxations prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rates of approximately 30.6% for the year ended 31 December 2022 (2021: 30.6%).

10. TAXATION (Continued)

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

	2022 **RMB'000**	2021 RMB'000
Loss before taxation	**(8,957)**	(31,883)
Tax at the applicable income tax rate	**(2,458)**	(7,385)
Tax effect of income not taxable for tax purpose	**(256)**	(23)
Tax effect of expenses not deductible for tax purpose	**1,693**	9,540
Temporary difference not recognised	**245**	(2,835)
Tax effect of tax loss not recognised	**776**	703
Income tax expenses	**–**	–

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 RMB33,020,000 (2021: approximately RMB28,317,000) 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):

	2022 **RMB'000**	2021 RMB'000
Directors' emoluments *(note 12)*:		
Directors' fee	**281**	357
Salaries, allowances and benefits in kind	**283**	647
Retirement scheme contributions	**8**	26
	572	1,030
Other staff costs:		
Salaries and other benefits	**1,943**	3,379
Retirement scheme contributions	**188**	161
Equity-settled share-based payment	**–**	1,208
Total staff costs	**2,703**	5,778
Auditors' remuneration		
– Audit service	**800**	900
Equity-settled share-based payment in respect of consultants	**–**	1,208
Depreciation of property, plant and equipment	**9,050**	9,169
Depreciation of right-of-use assets	**262**	376
Depreciation of investment property	**800**	800
Cost of inventories recognised as expenses	**68,676**	73,632
Write-down of inventories	**3,107**	–
An analysis of the gain arising from change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Realised loss/(gain) on disposal of financial assets at FVPL	**47**	(2,725)
Unrealised (gain)/loss on financial assets at FVPL	**(339)**	1,949
	(292)	(776)

For the year ended 31 December 2022

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:

	2022 **RMB'000**	2021 RMB'000
Directors' fees	**281**	357
Other emoluments:		
Salaries, allowances and benefits in kind	**283**	647
Retirement scheme contributions	**8**	26
	291	673
	572	1,030

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
2022				
Executive directors:				
Mr. Chan Chi Ching *(note (a))*	–	154	8	162
Ms. Qin Yuanling *(note (f))*	–	129	–	129
Independent non-executive directors:				
Mr. Wong King Shiu, Daniel *(note (b))*	51	–	–	51
Mr. Wong Yuk Lun, Alan	103	–	–	103
Mr. Chan Hin Hang *(note (b))*	52	–	–	52
Dr. Wang Guiping	52	–	–	52
Mr. Huang Ruilin *(note (c))*	23	–	–	23
	281	283	8	572

12. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2021				
Executive directors:				
Mr. Chan Chi Ching *(note (a))*	–	299	15	314
Mr. Suen Man Fung *(note (d))*	–	224	11	235
Mr. Su Hongbo *(note (e))*	–	93	–	93
Ms. Qin Yuanling *(note (f))*	–	31	–	31
Independent non-executive directors:				
Mr. Wong King Shiu, Daniel *(note (b))*	100	–	–	100
Mr. Wong Yuk Lun, Alan	100	–	–	100
Mr. Chan Hin Hang *(note (b))*	100	–	–	100
Dr. Wang Guiping	57	–	–	57
	357	647	26	1,030

Notes:

(a) Mr. Chan Chi Ching retired as an executive director of the Company on 30 June 2022.

(b) Mr. Wong King Shiu, Daniel and Mr. Chan Hin Hang retired as an independent non-executive director of the Company on 30 June 2022.

(c) Mr. Huang Ruilin was appointed as an independent non-executive director of the Company on 18 August 2022.

(d) Mr. Suen Man Fung retired as an executive director of the Company on 30 September 2021.

(e) Mr. Su Hongbo retired as an executive director of the Company on 30 September 2021.

(f) Ms. Qin Yuanling was appointed as an executive director of the Company on 30 September 2021.

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 2022 and 2021 respectively. None of the directors agreed to waive or waived any emoluments during the year (2021: nil).

For the year ended 31 December 2022

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the year included one executive director (2021: one). Details of whose emoluments are set out above in note 12. The details of the emoluments of the remaining four (2021: four) highest paid individuals are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other allowances	**1,344**	2,119
Retirement scheme contributions	**108**	5
	1,452	2,124

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

	2022	2021
Nil to RMB859,000 (equivalents to HK$1,000,000)	**4**	4

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

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 (2021: nil).

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(5,645)**	(31,771)

	2022 '000	2021 '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 RMB5,645,000 (2021: approximately RMB31,771,000) and the weighted average number of 880,838,000 (2021: 880,838,000) ordinary shares in issue during the year ended 31 December 2022.

Basic and diluted loss per share for the years ended 31 December 2022 and 2021 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2022 and 2021 and, therefore, be anti-dilutive.

15. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: nil).

For the year ended 31 December 2022

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 2021	393,676	143,676	5	3,343	74,614	615,314
Exchange realignment	(2)	–	–	(17)	–	(19)
As at 31 December 2021 and 1 January 2022	393,674	143,676	5	3,326	74,614	615,295
Exchange realignment	5	–	–	52	–	57
As at 31 December 2022	393,679	143,676	5	3,378	74,614	615,352
Accumulated depreciation and impairment						
As at 1 January 2021	260,741	143,676	5	3,233	7,847	415,502
Provided for the year	9,060	–	–	109	–	9,169
Impairment loss recognised	–	–	–	–	6,898	6,898
Exchange realignment	(1)	–	–	(16)	–	(17)
As at 31 December 2021 and 1 January 2022	269,800	143,676	5	3,326	14,745	431,552
Provided for the year	9,050	–	–	–	–	9,050
Exchange realignment	5	–	–	52	–	57
As at 31 December 2022	278,855	143,676	5	3,378	14,745	440,659
Carrying amounts						
As at 31 December 2022	**114,824**	**–**	**–**	**–**	**59,869**	**174,693**
As at 31 December 2021	123,874	–	–	–	59,869	183,743

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss

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 operations of PRC subsidiaries 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 was 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 re-commenced 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 impact 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 (2021: higher of value-in-use and fair value less costs of disposal). The fair value less costs of disposal of property, plant and equipment and right-of-use assets use direct comparison to estimate which is based on the recent transaction prices for similar properties adjusted for nature, location and condition of property. The fair value measurement is categorised into Level 3 fair value hierarchy.

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 (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; and
- 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 2022, the recoverable amount of the property, plant and equipment of slaughterhouse and breeding farms and investment property based on higher of fair value less costs of disposal and value in use were approximately RMB210,979,000 and RMB10,900,000 respectively (2021: approximately RMB193,293,000 and RMB11,900,000 respectively) and no impairment loss of property, plant and equipment of slaughterhouse and breeding farms, and investment property has been recognised during the year ended 31 December 2022 (2021: approximately RMB6,898,000 impairment loss of property, plant and equipment of slaughterhouse and breeding farms has been recognised).

17. RIGHT-OF-USE ASSETS

	Office premises RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
As at 1 January 2021	1,861	19,658	21,519
Lease termination	(1,734)	–	(1,734)
Exchange realignment	(25)	–	(25)
As at 31 December 2021, 1 January 2022 and 31 December 2022	102	19,658	19,760
Accumulated depreciation and impairment			
As at 1 January 2021	915	9,940	10,855
Charge for the year	118	258	376
Lease termination	(1,009)	–	(1,009)
Exchange realignment	(12)	–	(12)
As at 31 December 2021 and 1 January 2022	12	10,198	10,210
Charge for the year	4	258	262
As at 31 December 2022	16	10,456	10,472
Carrying amounts			
As at 31 December 2022	**86**	**9,202**	**9,288**
As at 31 December 2021	90	9,460	9,550

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 2022 and 2021. 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	3-30 years
Land use rights	2-50 years

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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	13,615
Accumulated depreciation	
As at 1 January 2021	1,115
Charge for the year	800
As at 31 December 2021 and 1 January 2022	1,915
Charge for the year	800
As at 31 December 2022	2,715
Carrying amounts	
As at 31 December 2022	**10,900**
As at 31 December 2021	11,700

18. INVESTMENT PROPERTY (Continued)

For disclosure purpose, the fair value of the Group's investment property at 31 December 2022 was approximately RMB10,900,000 (2021: RMB11,900,000). 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:

	2022	
	Carrying amount RMB'000	**Fair value at Level 3 hierarchy RMB'000**
Breeding farm in the PRC	**10,900**	**10,900**

	2021	
	Carrying amount RMB'000	Fair value at Level 3 hierarchy RMB'000
Breeding farm in the PRC	11,700	11,900

The above investment property is depreciated on a straight-line basis on the following useful lives:

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:

	2022	2021
Breeder hogs	–	115

Analysed for reporting purposes as:

	2022 **RMB'000**	2021 RMB'000
Non-current portion - breeder hogs	–	387

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	Porkers RMB'000	Total RMB'000
As at 1 January 2021	26,298	–	26,298
Increase due to purchases	–	4,194	4,194
Increase due to raising (feeding cost and others)	1,525	1,187	2,712
Decrease due to retirement and deaths	(16,395)	(368)	(16,763)
Decrease due to sales	–	(3,951)	(3,951)
Loss arising from change in fair value less costs to sell	(11,041)	(1,062)	(12,103)
As at 31 December 2021 and 1 January 2022	387	–	387
Decrease due to retirement and deaths	(387)	–	(387)
As at 31 December 2022	**–**	**–**	**–**

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 2021				
Biological assets				
– Breeder hogs	–	387	–	387

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.	• 31 December 2021: Prevailing market price less costs to sell of gilts (RMB/head): RMB1,813. Market prices of gilts represent the market selling prices of gilts 6 months old in Hunan Province. The market prices of gilts in Hunan Province were obtained from independent price inquiry by the Valuer.

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Pipe system products	**2,110**	3,326

Inventories are stated at the lower of cost and net realisable value as at 31 December 2022 and 2021.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Unlisted equity investment in the PRC	**640**	870

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.

Details of the fair value measurement of financial assets at FVOCI are set out in note 5(c).

* *For identification purpose only*

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Held-for-trading investments:		
Equity securities listed in Hong Kong *(note)*	**5,155**	5,198

Note:

At 31 December 2022, the fair value of the listed equity securities, amounting to approximately RMB5,155,000 (2021: approximately RMB5,198,000), was determined based on the quoted market bid prices available on the Stock Exchange.

23. TRADE RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Trade receivables	**18,415**	11,358
Less: Allowance for expected credit losses	**(7,273)**	(144)
	11,142	11,214

As at 1 January 2021, trade receivables from contract with customers (net of allowance for expected credit losses) of approximately RMB11,343,000.

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

	2022 **RMB'000**	2021 RMB'000
Within 30 days	**1,513**	1,871
31 to 60 days	**4,146**	2,169
61 to 90 days	**930**	5,821
Over 90 days	**4,553**	1,353
	11,142	11,214

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing 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).

24. LOAN RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Loan receivables *(note (a))*	**2,965**	251,311
Other prepayments, deposits and other receivables *(notes (b), (c) and (d))*	**18,700**	57,763
	21,665	309,074
Less: Allowance for expected credit losses	**(470)**	(7,926)
	21,195	301,148

Notes:

(a) As at 31 December 2022, there were loan receivables of approximately RMB2,965,000 (2021: approximately RMB251,311,000) net of allowances for expected credit losses of approximately RMB105,000 (2021: approximately RMB2,853,000). The loan receivables were unsecured, weighted average interest bearing at 13.1% per annum (2021: 0.3% per annum) and repayable within one year (2021: one year).

(b) As at 31 December 2021, there was other receivable of approximately RMB12,000,000 net of allowances for expected credit losses of approximately RMB4,620,000. The other receivable was related to cash consideration from disposal of a 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 was recoverable on demand. During the year ended 31 December 2022, the other receivable was fully setttled.

As at 31 December 2021, there were other receivables of approximately RMB26,000,000 net of allowances for expected credit losses of approximately RMB191,000 were repayable in 2022. During the year ended 31 December 2022, the other receivables were fully setttled.

(c) As at 31 December 2022, there were interest receivables of approximately RMB524,000 (2021: approximately RMB598,000) net of allowances for expected credit losses of approximately RMB19,000 (2021: approximately RMB28,000).

(d) As at 31 December 2022, there were deposit paid for inventories of approximately RMB9,637,000 (2021: approximately RMB12,296,000) net of allowances for expected credit losses of approximately RMB129,000 (2021: approximately RMB175,000).

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

* *For identification purpose only*

25. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2022 RMB'000	2021 RMB'000
Bank balances and cash	**416,389**	131,581

As at 31 December 2022, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB412,117,000 (2021: approximately RMB124,672,000). 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 0.02% to 0.38% per annum as at 31 December 2022 (2021: 0.02% to 0.35% per annum).

Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Note payable RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2021	10,656	8,390	990	20,036
Cash flows	(10,483)	(8,302)	(128)	(18,913)
Interest paid	(655)	(114)	(16)	(785)
Other changes:				
Interest expense *(note 9)*	655	108	16	779
Lease modification	–	–	(764)	(764)
Exchange realignment	(173)	(82)	4	(251)
Net debt as at 31 December 2021, 1 January 2022 and 31 December 2022	**–**	**–**	**102**	**102**

26. TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**6,556**	3,463

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

	2022 RMB'000	2021 RMB'000
Within 30 days	**3,354**	3,463
Over 90 days	**3,202**	-
	6,556	3,463

27. ACCRUALS AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Other payables for property, plant and equipment	**100**	100
Accruals and other payables *(note)*	**74,190**	71,304
	74,290	71,404

Note:

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

For the year ended 31 December 2022

28. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	–	–
Within a period of more than one year but not exceeding two years	29	–
Within a period of more than two years but not exceeding five years	–	29
Over five years	73	73
	102	102
Less: Amount due for settlement with 12 months shown under current liabilities	–	–
Amount due for settlement after 12 months shown under non-current liabilities	102	102

No cash outflow for lease payment during the year ended 31 December 2022 was recognised (2021: approximately RMB128,000).

29. DEFERRED REVENUE

	2022 RMB'000	2021 RMB'000
Arising from government grant *(note)*	**227**	252

Analysed for reporting purposes as:

	2022 RMB'000	2021 RMB'000
Non-current liabilities	**202**	227
Current liabilities	**25**	25
	227	252

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.

30. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount HK$'000	Amount RMB'000
Authorised:			
Balances as at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 of HK$0.01 each	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balances as at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 of HK$0.01 each	**880,838,000**	**8,808**	**7,308**

31. 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, in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options or awards must be approved by shareholders of the Company in general meeting.

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

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

On 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.

On 28 July 2021, the Company granted a total of 88,080,000 options with the rights to subscribe 88,080,000 ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. The closing price per share immediately before the grant of options on 28 July 2021 was HK$0.083. A total of 88,080,000 options were granted to the employees and consultants of the Company respectively, at an exercise price of HK$0.083 each (all the new options granted have no vesting period or vesting condition).

Neither share options were granted nor exercised during the years ended 31 December 2022 and 2021.

31. SHARE OPTION SCHEME (Continued)

The total number of securities available for issue under the Share Option Scheme as at 31 December 2022 was 88,083,800 shares (2021: 88,083,800 shares) which represented approximately 10.0% (2021: 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 2021	Cancelled during the year	Granted during the year	At 31 December 2021, 1 January 2022 and 31 December 2022	Date of grant of share options (dd/mm/yyyy)	Exercise period of share options (dd/mm/yyyy)	Exercise price of share options	Price of Company's share at grant date of share options
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
Sub-total	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
	–	–	44,040,000	44,040,000	28/07/2021	28/07/2021 to 27/07/2024	HK$0.083	HK$0.083
Sub-total	26,052,000	(26,052,000)	44,040,000	44,040,000				
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
	–	–	44,040,000	44,040,000	28/07/2021	28/07/2021 to 27/07/2024	HK$0.083	HK$0.083
Sub-total	38,684,000	(38,684,000)	44,040,000	44,040,000				
	64,736,000	(64,736,000)	88,080,000	88,080,000				
Total:	73,420,000	(73,420,000)	88,080,000	88,080,000				
Weighted average exercise price (HK$)	0.373			0.083				

31. 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	2021
Dividend yield (%)	0.00%
Expected volatility (%)	69.49%
Risk free interest rate (%)	0.22%
Expected life of options (year)	3
Stock price (HK$ per share)	0.083
Fair value at measurement date (HK$ each option)	0.03

No expense was recognised by the Group for the year ended 31 December 2022 in relation to share options granted by the Company (2021: RMB2,416,000).

At the end of reporting period of 2022, the Company had 88,080,000 (2021: 88,080,000) 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 88,080,000 (2021: 88,080,000) additional ordinary shares of the Company and additional share capital of HK$880,800 (2021: HK$880,800) during the year ended 31 December 2022.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 RMB'000	2021 RMB'000
Non-current asset			
Investment in subsidiaries		**–***	–*
Current assets			
Financial assets at fair value through profit or loss		**5,155**	5,198
Other receivables and prepayments		**507**	456
Amounts due from subsidiaries		**21,537**	47,674
Bank balances and cash		**54**	92
		27,253	53,420
Current liabilities			
Accruals and other payables		**36,807**	34,047
Net current (liabilities)/assets		**(9,554)**	19,373
Total assets less current liabilities		**(9,554)**	19,373
Net (liabilities)/assets		**(9,554)**	19,373
Equity			
Share capital	30	**7,308**	7,308
Reserves	33	**(16,862)**	12,065
Total (deficit)/equity		**(9,554)**	19,373

* *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 31 March 2023 and are signed on its behalf by:

Qin Yuanling
Director

Wong Yuk Lun, Alan
Director

33. 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 2021	445,247	9,980	24,163	(463,116)	16,274
Loss and total comprehensive expense for the year	–	–	(597)	(6,028)	(6,625)
Recognition of equity-settled share-based payment *(note 31)*	–	2,416	–	–	2,416
Cancellation of share option granted *(note 31)*	–	(9,980)	–	9,980	–
As at 31 December 2021 and 1 January 2022	445,247	2,416	23,566	(459,164)	12,065
Loss and total comprehensive expense for the year	–	–	604	(29,531)	(28,927)
As at 31 December 2022	445,247	2,416	24,170	(488,695)	(16,862)

34. 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 2022 and 2021.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising 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.

34. CAPITAL RISK MANAGEMENT (Continued)

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

	2022 **RMB'000**	2021 RMB'000
Total borrowings *(note (a))*	**–**	–
Total equity attributable to the owners of the Company *(note (b))*	**563,583**	573,350
Gearing ratio	**N/A**	N/A

Notes:

(a) Total borrowings represent borrowings.

(b) Total equity attributable to the owners of the Company includes all share capital and reserves at the end of each reporting period.

35. 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$1,500 (2021: HK$: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 (2021: 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 RMB196,000 (2021: approximately RMB187,000) represents contributions paid or payable to these schemes by the Group in respect of the current accounting period.

For the year ended 31 December 2022

36. 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:

	2022	2021
	RMB'000	RMB'000
Within one year	**8,208**	8,208
In the second year	**8,208**	8,208
In the third year	**1,368**	8,208
In the fourth year	**–**	1,368
	17,784	25,992

37. CAPITAL COMMITMENTS

	2022	2021
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**2,383**	28,392

38. 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 2022 and 2021 is set out in note 12.

39. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Country of incorporation/ registration	Principal place of business and date of incorporation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				2022		2021		
				Direct %	Indirect %	Direct %	Indirect %	
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
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$41,198,841	–	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* (Linli Huisheng Hog Breeding) *(note (b))*	The PRC	The PRC, 17 September 2013	Registered capital RMB16,000,000 *(note (c))*	–	91.9	–	91.9	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.

(c) In 2021, the Group acquired of 20% interest in Linli Huisheng Hog Breeding, increasing its continuing interest to 91.9%. The investment cost of approximately RMB3,200,000 was paid in cash. An amount of approximately RMB2,438,000 (being the proportionate share of the carrying amount of the net assets of Linli Huisheng Hog Breeding) has been transferred from non-controlling interests. The difference of approximately RMB762,000 between the decrease in the non-controlling interests and the consideration paid had been debited to other reserves.

39. 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.

40. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in these annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this annual report.

41. COMPARATIVES FIGURES

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2022

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				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**72,947**	81,291	29,663	5,655	382,016
Cost of sales	**(71,106)**	(78,689)	(31,746)	(5,570)	(389,254)
Gross profit/(loss)	**1,841**	2,602	(2,083)	85	(7,238)
Other income	**11,362**	9,131	22,022	27,405	16,539
Other gain or loss, net	**(3,494)**	(16,724)	(2,090)	1,171	(57,684)
Gain arising from change in fair value of investment properties	**–**	–	–	–	2,110
Loss arising from change in fair value less costs to sell of biological assets	**–**	(12,103)	(11,612)	–	–
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss	**292**	776	(987)	(5,759)	(18,715)
Impairment loss of property, plant and equipment	**–**	(6,898)	(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)	–
Reversal of allowance/(allowance) for expected credit losses, net	**484**	11,550	(12,489)	(12,111)	(802)
Selling and distribution expenses	**(81)**	(87)	(18)	–	(6,310)
Administrative expenses	**(19,361)**	(19,351)	(17,343)	(22,007)	(58,328)
Finance costs	**–**	(779)	(696)	(1,256)	(8,346)
Loss before taxation	**(8,957)**	(31,883)	(33,602)	(185,329)	(346,414)
Taxation	**–**	–	(3,124)	(6,240)	3,449
Loss for the year	**(8,957)**	(31,883)	(36,726)	(191,569)	(342,965)
Loss for the year attributable to:					
Owners of the Company	**(5,645)**	(31,771)	(36,625)	(191,516)	(342,953)
Non-controlling interests	**(3,312)**	(112)	(101)	(53)	(12)
	(8,957)	(31,883)	(36,726)	(191,569)	(342,965)

For the year ended 31 December 2022

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				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**651,512**	658,717	700,910	701,874	894,660
Total liabilities	**(90,535)**	(84,581)	(102,770)	(62,984)	(59,928)
Total equity	**560,977**	574,136	598,140	638,890	834,732