INTERIM REPORT 2016

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

The board (the "**Board**") of directors (the "**Directors**") of Huisheng International Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited)
Revenue	4	**788,218**	640,846
Cost of sales		**(707,449)**	(570,165)
Gross profit		**80,769**	70,681
Other income	4	**3,448**	3,040
Gain arising from changes in fair value less costs to sell of biological assets	10	**9,383**	4,745
Selling and distribution expenses		**(14,599)**	(9,755)
Administrative expenses		**(15,635)**	(12,870)
Finance costs		**(8,117)**	(4,720)
Profit before taxation		**55,249**	51,121
Taxation	5	**–**	–
Profit for the period	6	**55,249**	51,121
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**4,114**	859
Other comprehensive income for the period, net of income tax		**4,114**	859
Total comprehensive income for the period		**59,363**	51,980

	Note	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		**54,654**	51,256
Non-controlling interests		**595**	(135)
		55,249	51,121
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**58,768**	52,115
Non-controlling interests		**595**	(135)
		59,363	51,980
Earnings per share attributable to owners of the Company	7		
Basic and diluted (RMB cents per share)		**11.3**	12.3

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**As at 30 June 2016 RMB'000 (Unaudited)**	As at 31 December 2015 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	9	**627,420**	640,530
Prepaid lease payments		**33,936**	34,360
Biological assets	10	**53,048**	28,743
Deposits and prepayments for property, plant and equipment	12	**28,962**	30,466
Available-for-sale investment		**1,500**	1,500
		744,866	735,599
Current assets			
Biological assets	10	**49,289**	25,909
Inventories		**16,645**	13,319
Prepaid lease payments		**842**	840
Trade receivables	11	**114,499**	183,847
Prepayments, deposits and other receivables	12	**20,468**	17,858
Bank balances and cash		**332,926**	249,783
		534,669	491,556
Current liabilities			
Trade payables	13	**101,978**	140,107
Accruals and other payables	14	**19,771**	30,924
Amount due to a shareholder	15	**374**	1,992
Bank borrowings – due within one year	16	**106,730**	76,731
Other loans		**80,103**	–
Deferred revenue		**25**	49
		308,981	249,803

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Net current assets		**225,688**	241,753
Total assets less current liabilities		**970,554**	977,352
Non-current liabilities			
Loan from government		**–**	476
Notes payable	17	**–**	59,816
Deferred revenue		**365**	378
		365	60,670
Net assets		**970,189**	916,682
Equity			
Share capital	18	**3,801**	3,801
Reserves		**960,238**	907,326
Equity attributable to owners of the Company		**964,039**	911,127
Non-controlling interests		**6,150**	5,555
Total equity		**970,189**	916,682

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Other 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 2015 (audited)	3,168	186,766	1,643	26,888	17,091	485,293	720,849	4,877	725,726
Profit for the period	–	–	–	–	–	51,256	51,256	(135)	51,121
Other comprehensive income for the period	–	–	859	–	–	–	859	–	859
Total comprehensive income for the period	–	–	859	–	–	51,256	52,115	(135)	51,980
Issue of shares under placing and subscription	633	78,396	–	–	–	–	79,029	–	79,029
Share issue expenses	–	(2,279)	–	–	–	–	(2,279)	–	(2,279)
Dividends *(note 8)*	–	–	–	–	–	(5,731)	(5,731)	–	(5,731)
As at 30 June 2015 (unaudited)	3,801	262,883	2,502	26,888	17,091	530,818	843,983	4,742	848,725
As at 1 January 2016 (audited)	3,801	262,883	4,208	38,678	17,091	584,466	911,127	5,555	916,682
Profit for the period	–	–	–	–	–	54,654	54,654	595	55,249
Other comprehensive income for the period	–	–	4,114	–	–	–	4,114	–	4,114
Total comprehensive income for the period	–	–	4,114	–	–	54,654	58,768	595	59,363
Dividends *(Note 8)*	–	–	–	–	–	(5,856)	(5,856)	–	(5,856)
As at 30 June 2016 (unaudited)	**3,801**	**262,883**	**8,322**	**38,678**	**17,091**	**633,264**	**964,039**	**6,150**	**970,189**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**80,582**	53,401
Investing activities		
Purchase of property, plant and equipment	**(2,379)**	(28,608)
Addition of non-current biological assets	**(41,996)**	(10,525)
Deposits and prepayments for property, plant and equipment	**1,504**	(132,685)
Other cash flows arising from investing activities	**492**	(116)
Net cash used in investing activities	**(42,379)**	(171,934)
Financing activities		
Interest paid	**(1,764)**	(3,654)
Dividends paid	**(5,856)**	(5,731)
Proceeds from borrowings	**110,102**	33,000
Repayments of borrowings	**(60,000)**	(19,000)
Repayments for shareholders	**(1,158)**	(38)
Shares issue expenses	**–**	(2,279)
Proceeds from issue of ordinary shares	**–**	79,029
Net cash generated from financing activities	**41,324**	81,327
Net increase/(decrease) in cash and cash equivalents	**79,527**	(37,206)
Cash and cash equivalents at the beginning of the period	**249,783**	366,894
Effect of foreign exchange rate changes, net	**3,616**	369
Cash and cash equivalents at the end of the period	**332,926**	330,057

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). They have been prepared under the historical cost convention, except for biological assets and certain financial instruments which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2016 are consistent with those used in the annual financial statements for the year ended 31 December 2015 except as described below.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (the "**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial period beginning from 1 January 2016. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations

The Directors considered the application of the above new or revised HKFRSs has no material impact on the Group's financial performance and financial position for the current and prior periods.

The Group has not early applied any new and revised HKFRSs that have been issued by the HKICPA but not yet effective.

3. 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 (the "**CODMs**"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The operations of the Group constitute one reportable segment, i.e. slaughtering and trading of pork products. This is also the basis upon which the Group is arranged and organised.

The information reported to the CODMs for the purpose of resource allocation and assessment of performance, is with reference to profit before taxation and assets which do not contain the gain/(losses) arising from changes in fair value less costs to sell of biological assets. In the reports to the CODMs, the biological assets are stated at cost but the biological assets are stated at their fair value less costs to sell under the condensed consolidated interim financial statements. The differences between the profit before taxation and assets reported to the CODMs and those in the condensed consolidated interim financial statements are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment profit before taxation reported to the CODMs	**45,866**	46,376
Add:		
Gain arising from changes in fair value less costs to sell of biological assets *(note)*	**9,383**	4,745
Profit before taxation reported in the condensed consolidated interim financial statements	**55,249**	51,121

Note: The amounts represent fair values changes in live hogs at the end of each reporting period.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the reporting period.

3. SEGMENT INFORMATION *(Continued)*

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Segment assets reported to the CODMs	**960,806**	917,045
Add:		
Gain/(losses) arising from changes in fair value less costs to sell of biological assets *(note)*	**9,383**	(363)
Net assets reported in the condensed consolidated interim financial statements	**970,189**	916,682

Note: The amounts represent fair value changes in live hogs at the end of the reporting period.

As the Group's segment liabilities are not regularly provided to CODMs for review, the measurement of total liabilities for the respective segment is not presented.

Geographical information

The Group's revenue from external customers by geographical locations in the People's Republic of China (the "**PRC**") during the reporting period is as follows:

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited)
Hunan Province	**611,971**	526,874
Guangdong Province	**65,446**	52,050
Beijing City	**1,394**	3,103
Others	**109,407**	58,819
	788,218	640,846

3. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 78% of the total revenue during the six months ended 30 June 2016 (six months ended 30 June 2015: 82%).

Information about major customers

No individual customers contributed over 10% of the total revenue of the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue for the reporting period is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of pork products	**785,052**	635,127
Others *(note)*	**3,166**	5,719
	788,218	640,846

Note: Others include sales of processed pork products and porkers and provision of slaughtering services.

4. REVENUE AND OTHER INCOME *(Continued)*

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposits	**492**	603
Amortisation of deferred revenue	**13**	27
Total interest income	**505**	630
Government grants *(note)*	**1,803**	2,361
Sundry income	**1,140**	49
	3,448	3,040

Note: Government grants mainly represent incentive subsidies in relation to processing of ill hogs and subsidies on interest expenses of collective notes. There are no conditions or limitations attached to these subsidies by the respective government authorities of the PRC.

5. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax expense	**–**	–

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises nor is derived from Hong Kong.

5. TAXATION *(Continued)*

PRC

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

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

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

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before taxation	**55,249**	51,121
Tax at the applicable income tax rate	**11,688**	12,559
Tax exemption for subsidiary operating in the PRC	**(12,257)**	(13,066)
Tax effect of expenses not deductible for tax purpose *(note)*	**69**	140
Tax effect of tax loss not recognised	**500**	367
Income tax expense	**–**	–

Note: The non-deductible expenses mainly consist of entertainment expenses which are not deductible for tax purpose under the relevant tax jurisdiction. According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from the PRC EIT, and no deferred taxation impact was considered for the reporting period.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	**470**	545
Other staff costs:		
Salaries and other benefits	**12,961**	10,568
Retirement schemes contributions	**2,588**	2,301
Total staff costs	**16,019**	13,414
Depreciation of property, plant and equipment	**15,489**	13,141
Amortisation of prepaid lease payments	**422**	367

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2016 of approximately RMB54,654,000 (six months ended 30 June 2015: RMB51,256,000) and the weighted average number of 482,484,000 (six months ended 30 June 2015: 417,070,000) ordinary shares in issue during the reporting period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the periods under review.

8. DIVIDENDS

During the six months ended 30 June 2016, the Board declared and paid HK$0.015 per share or approximately HK$7,237,000 in aggregate as final dividend for the year ended 31 December 2015.

During the six months ended 30 June 2015, the Board declared and paid HK$0.015 per share or approximately HK$7,237,000 in aggregate as final dividend for the year ended 31 December 2014.

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for buildings, plant and machinery, motor vehicles, furniture, fixtures and equipment and construction in progress of approximately Nil, Nil, Nil, RMB9,000 and RMB2,370,000 respectively.

10. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Breeder hogs RMB'000	Porkers RMB'000	Total RMB'000
As at 1 January 2015 (audited)	21,424	14,762	36,186
Increase due to purchases	6,611	18,271	24,882
Increase due to raising (Feeding cost and others)	22,763	68,340	91,103
Transfer	1,834	(1,834)	–
Decrease due to retirement and deaths	(2,327)	(1,166)	(3,493)
Decrease due to sales	(22,612)	(71,051)	(93,663)
Gain/(losses) arising from changes in fair value less costs to sell	1,050	(1,413)	(363)
As at 31 December 2015 and 1 January 2016 (audited)	28,743	25,909	54,652
Increase due to purchases	25,254	32,698	57,952
Increase due to raising (Feeding cost and others)	490	109,372	109,862
Transfer	1,304	(1,304)	–
Decrease due to retirement and deaths	(2,040)	(9,485)	(11,525)
Decrease due to sales	(7,476)	(110,511)	(117,987)
Gain arising from changes in fair value less costs to sell	6,773	2,610	9,383
As at 30 June 2016 (unaudited)	**53,048**	**49,289**	**102,337**

10. BIOLOGICAL ASSETS *(Continued)*

Analysed for reporting purposes as:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current assets – breeder hogs	**53,048**	28,743
Current assets – porkers	**49,289**	25,909
At the end of the period/year	**102,337**	54,652

The Group's biological assets as at 31 December 2015 and 30 June 2016 have been arrived at on the basis of a valuation carried out by an independent qualified professional valuer. Given the nature of the biological assets where market determined prices are available, the fair value less costs to sell have been determined by the market approach based on the market determined prices as at 31 December 2015 and 30 June 2016 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The resulting gain arising from changes in fair value less costs to sell of biological assets of approximately RMB9,383,000 (gain recognised for the six months ended 30 June 2015: RMB4,745,000) has been recognised directly in profit or loss for the six months ended 30 June 2016.

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).

10. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

As at 30 June 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Breeder hogs	**–**	**53,048**	**–**	**53,048**
Porkers	**–**	**49,289**	**–**	**49,289**
Total biological assets	**–**	**102,337**	**–**	**102,337**

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Breeder hogs	–	28,743	–	28,743
Porkers	–	25,909	–	25,909
Total biological assets	–	54,652	–	54,652

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2015: Nil). 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.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value less costs to sell of the breeder hogs and porkers are determined with reference to the market-determined prices of items with similar age, weight and breeds.

11. TRADE RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade receivables	**114,499**	183,847

11. TRADE RECEIVABLES *(Continued)*

Trade receivables

The fair values of trade receivables approximate their carrying amount.

The credit period on sale of pork products is within 80 days. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 30 days	**107,063**	169,719
31 days to 60 days	**7,086**	13,880
61 days to 80 days	**350**	–
Over 81 days	**–**	248
	114,499	183,847

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

The Group does not hold any collateral over these balances.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Deposits and prepayments for property, plant and equipment *(note (i))*	**28,962**	30,466
Other prepayments, deposits and other receivables *(note (ii))*	**20,468**	17,858
	49,430	48,324

Analysed for reporting purposes as:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current assets	**28,962**	30,466
Current assets *(note (ii))*	**20,468**	17,858
	49,430	48,324

Notes:

(i) The deposits and prepayments for property, plant and equipment as at 31 December 2015 and 30 June 2016 were mainly for the purchase of equipment of production facilities in the Group's slaughter house and breeding farms.

(ii) As at 30 June 2016, there were amounts due from shareholders of approximately RMB3,285,000 (31 December 2015: RMB459,000) included in prepayments, deposits and other receivables of the Group.

13. TRADE PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade payables	**101,978**	140,107

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 30 days	**100,285**	140,107
31 to 60 days	**1,274**	–
over 61 days	**419**	–
	101,978	140,107

14. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Other payables for property, plant and equipment	**–**	6,426
Accruals and other payables	**19,771**	24,498
	19,771	30,924

15. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest-free and repayable on demand.

16. BANK BORROWINGS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Secured bank borrowings	**106,730**	76,731

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
On demand or within one year and shown under current liabilities	**106,730**	76,731

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

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

	As at 30 June 2016 % (Unaudited)	As at 31 December 2015 % (Audited)
Fixed rate borrowings	**1.58-8.83**	1.58-9.72

17. NOTES PAYABLE

On 28 January 2013, Hunan Huisheng, as one of the issuers, issued collective notes to independent third parties. The principal amount of the collective notes is RMB260 million in aggregate in the denomination of RMB100 each, of which RMB60 million was issued by Hunan Huisheng.

The collective notes carry interest at 5.9% per annum and are to be redeemed on the third anniversary from the date of issue. The principal amount of the collective notes of RMB260 million in aggregate is guaranteed by China Bond Insurance Co., Ltd.* (中債信用增進投資股份有限公司). Hunan Huisheng is not contingently liable for the liabilities of other joint issuers.

For details of the collective notes, please refer to the paragraph headed "Notes payable" in the section headed "Financial information" in the prospectus dated 17 February 2014 (the "**Prospectus**").

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	**59,816**	57,695
Interest charged at effective interest rate of 10.6% per annum	**465**	5,661
Interest payable	**(281)**	(3,540)
Repayment	**(60,000)**	–
At the end of the period/year	**–**	59,816

* For identification purpose only

18. SHARE CAPITAL

For the purpose of the presentation of the condensed consolidated statement of financial position, the balance of the capital as at 1 January 2015, 31 December 2015 and 30 June 2016 represented the issued and fully paid share capital of the Company.

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

	Number of shares	Amount	
		HK$'000	RMB'000
Authorised:			
Balance as at 31 December 2015, 1 January 2016 and 30 June 2016	**1,500,000,000**	**15,000**	**11,810**
Issued and fully paid:			
Balance as at 1 January 2015	402,484,000	4,025	3,168
Issue of shares under placing and subscription *(note)*	80,000,000	800	633
Balance as at 31 December 2015 and 1 January 2016	482,484,000	4,825	3,801
Balance as at 30 June 2016	**482,484,000**	**4,825**	**3,801**

Note: On 26 May 2015 and 29 May 2015, the Company, by way of a top-up placing, placed a total of 80,000,000 placing shares at the placing price of HK$1.25 per share to at least six independent placees selected and/or procured by or on behalf of the placing agent (the "**Placees**"). The Placees and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons (including Huimin Holdings Limited). None of the Placees and their ultimate beneficial owners has become a substantial shareholder (as defined under the Listing Rules) of the Company upon taking up the placing shares. The net proceeds of approximately HK$97,000,000 were received by the Company. Please refer to the announcement of the Company dated 29 May 2015 for further details.

19. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2016 and 2015.

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the six months ended 30 June 2016 and 2015 is set out in note 6.

20. COMMITMENTS

At the end of each reporting date, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm.

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within one year	**325**	224
In the second to fifth years, inclusive	**427**	228
After the fifth year	**1,372**	418
	2,124	870

Leases are generally negotiated for a term from one to thirty years. Rentals are fixed at the date of signing lease agreement.

The Group had the following capital expenditure contracted for but not provided in the condensed consolidated financial statements:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
In respect of the acquisition of property, plant and equipment	**2,398**	2,345

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 June 2016, the Company entered into a placing agreement, pursuant to which the Company has conditionally agreed to place, through a placing agent on a best endeavour basis, an aggregate of up to 96,496,000 shares to not less than six independent investors. The placing price was HK$0.70 per share, and the net proceeds from the placing were approximately HK$65.8 million. The placing was completed on 7 July 2016, and a total of 96,496,000 shares were allotted and issued to not less than six placees.

Save as disclosed above, no other subsequent event has occurred after 30 June 2016 which may have a significant effect on the assets and liabilities or future operations of the Group.

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 31 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the largest pork suppliers in Changde, Hunan Province, the PRC, and is principally engaged in the production and sale of pork products, and its operations mainly involve hog slaughtering as well as hog breeding and hog farming. The Group's pork products range from fresh, chilled and frozen pork, side products to processed pork products including cured pork and sausages.

In 2015, the Group acquired two breeding farms in Hunan Province, the PRC, with a total site area of approximately 208 mu (equivalent to approximately 138,667.36 square metres). The Group had put efforts into renovating and upgrading the facilities of these two farms during the past few months in order to meet the production standard of the Group, and the first batch of breeder hogs had already been introduced into these farms during the first half of 2016. These farms are expected to provide valuable contributions to the Group in the foreseeable future.

In January 2016, the Group intended to acquire all assets of two hog fattening farms in Hunan Province, the PRC, at a consideration of RMB85.0 million (equivalent to approximately HK$101.2 million) from Huimin Holdings Limited and Jisheng Holdings Limited respectively (each of them a connected person of the Company) (the "**Vendors**"). The said consideration was intended to be satisfied by the allotment and issuance of a total of 101,190,000 ordinary shares of the Company (the "**Shares**") to the Vendors (the "**Proposed Acquisitions**"). After careful consideration and further negotiations with the counterparties in light of the trend of the market development of the hog farming industry, the Company decided not to proceed with the Proposed Acquisitions. Please refer to the announcements of the Company dated 21 January 2016, 26 February 2016, 14 April 2016, 13 May 2016 and 24 May 2016 for further information regarding the Proposed Acquisitions.

In June 2016, the Company entered into a placing agreement for placing 96,496,000 Shares to not less than six independent investors (the "**Placing**"). The Placing was completed in July 2016 and has raised net proceeds of approximately HK$65.8 million. The Directors are of the view that the Placing has strengthened the financial position of the Group and enabled the Group to fund any potential development and investment opportunities to be identified by the Company. It has also broadened the shareholders and the capital bases of the Company. The Placing was completed in July 2016. Please refer to the announcements of the Company dated 21 June 2016 and 7 July 2016 for information regarding the Placing.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded revenue of approximately RMB788.2 million, which represented an increase of approximately 23.0% from approximately RMB640.8 million for the same period in 2015. Such increment was mainly due to the growth of average unit price of our pork products by approximately 41.1% during the first six months of 2016.

The average gross profit margin during the current period was approximately 10.2% compared to approximately 11.0% during the first half of 2015. During the past few months, as the two newly acquired breeding farms had not yet reached the economics of scale since the commencement of their operations, the Group recorded a higher increase in cost of sales than revenue.

During the six months ended 30 June 2016, the Group's selling and distribution expenses were approximately RMB14.6 million as compared to approximately RMB9.8 million for the same period in 2015, representing an increase of approximately 49.0%, which is mainly due to the increment of turnover.

The Group's administrative expenses increased from approximately RMB12.9 million for the six months ended 30 June 2015 to approximately RMB15.6 million for the six months ended 30 June 2016. The increment of approximately 20.9% was mainly due to the continuous expansion of the business scale.

During the period under review, the finance costs of the Group was approximately RMB8.1 million, while it was approximately RMB4.7 million in the same period of 2015. The increment of approximately 72.3% was mainly due to the increase in bank borrowings, which were used for the business development and general working capital of the Group.

During the period under review, the profit attributable to owners of the Company was approximately RMB54.7 million, representing an increase of approximately 6.6% from approximately RMB51.3 million for the same period in 2015. The increment was mainly attributable to gain arising from changes in fair value less costs to sell of biological assets of approximately RMB9.4 million resulted from the increase in hog price. Taken out the effect of the fair value change, the profit of the Group slightly decreased compared to the same period of last year due to the decrease in average gross profit margin and increase in expenses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 30 June 2016, the Group had bank balances and cash of approximately RMB332.9 million (31 December 2015: RMB249.8 million). The Group also had net current assets of approximately RMB225.7 million as at 30 June 2016, while it was approximately RMB241.8 million as at 31 December 2015. The total non-current assets of the Group increased by approximately RMB9.3 million from approximately RMB735.6 million as at 31 December 2015 to approximately RMB744.9 million as at 30 June 2016, which was mainly due to the increase of breeder hogs introduced to the new breeding farms commenced operation this year.

As at 30 June 2016, the Group had several outstanding borrowings with an aggregate amount of approximately RMB106.7 million with fixed interest rates ranging from 1.58% to 8.83% per annum.

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

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2016, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

As at 30 June 2016, the Group had pledged certain buildings, equipment and prepaid lease payments of approximately RMB299.3 million for certain bank borrowings.

GEARING RATIO

As at 30 June 2016, the Group's gearing ratio (being its total debts (which are the summation of bank borrowings, notes payable, loan from government, other loans and amount due to a shareholder) divided by its total equity and multiplied by 100%) increased to approximately 19.3% (31 December 2015: 15.2%).

FOREIGN EXCHANGE EXPOSURE

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the period under review, the Directors believe that such exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CONTINGENT LIABILITIES

As at 30 June 2016, the Directors were not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2016, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, there was no other significant investments during the period. Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

SUBSEQUENT EVENTS

On 21 June 2016, the Company entered into a placing agreement, pursuant to which the Company has conditionally agreed to place, through a placing agent on a best endeavour basis, an aggregate of up to 96,496,000 Shares to not less than six independent investors. The placing price was HK$0.70 per share, and the net proceeds from the placing were approximately HK$65.8 million. The placing was completed on 7 July 2016, and a total of 96,496,000 Shares were allotted and issued to not less than six placees.

Save as disclosed above, no other subsequent event has occurred after 30 June 2016 which may have a significant effect on the assets and liabilities or future operations of the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed 615 staff members in Hong Kong and the PRC (31 December 2015: 525). The Group remunerates its employees based on their performance and experience, and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program.

The Company has adopted a share option scheme on 11 February 2014 which enables it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions to the Group. The total number of ordinary shares of the Company available for issue under the share option scheme as at the date of this report was 40,000,000 shares, which represented approximately 6.9% of the issued share capital of the Company as at the date of this report. No option had been granted or agreed to be granted under the share option scheme as at the date of this report.

CAPITAL STRUCTURE

Save as disclosed above, there was no change in the capital structure of the Company during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

COMPETING INTEREST

Huimin Holdings Limited, a company which holds 172,440,728 Shares (representing approximately 29.78% of the total issued Shares) and is wholly-owned by Mr. Ding Biyan (an executive Director) as at the date of this report, owns a fattening farm in Nan Zhu Shan Village (楠竹山村), Xie Jia Pu Town (謝家鋪鎮), Changde City, Hunan Province, the PRC. As at the date of this report, the said fattening farm does not have any commercial operation.

Jisheng Holdings Limited, a company which is owned approximately 33.0%, 33.0%, 18.6%, 11.0%, 3.3% and 1.1% by Mr. Ding Jingxi (an executive Director), Mr. Zhang Zhizhong (a former non-executive Director), Mr. Yu Jishi (an executive Director), Mr. Zhou Shigang (a former executive Director), Mr. Zhang Jianlong and Ms. Li Xianjie respectively as at the date of this report, owns a fattening farm in Shang Si Ping Village (尚寺坪村), Cha An Pu Town (茶庵鋪鎮), Changde City, Hunan Province, the PRC. As at the date of this report, the said fattening farm does not have any commercial operation.

Save as disclosed above, none of the Directors nor the controlling shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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

OUTLOOK AND FUTURE PROSPECTS

Based on the experience of the management and the history of the hog farming industry, and also in light of the trend of the recent market development, the management of the Group considered that the Group may need to expend more effort to keep the operation running on a smooth path. The Group will commit its resources in refining the existing business, and will consider developing new products to cope with people's changing preferences in diet. The Group may explore various business opportunities with promising potential to diversify its operation risk.

In the meantime of exploring potential investment opportunities, the Board also regards optimizing the use of the existing resources of the Company as the area of focus. The Company will make use of its resources in a more effective and efficient manner so as to maximise the benefits to the Company and shareholders as a whole.

The Company will continue its strategy of refining the existing business with potentials while exploring for new business opportunities. The Company will keep pace with the market conditions and refine the business direction accordingly.

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

The interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to 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 at 30 June 2016 were as follows:

LONG POSITION IN ORDINARY SHARES OF THE COMPANY

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of shareholding
Ding Biyan (丁碧燕)	Interest of a controlled corporation *(note)*	172,440,728	35.7%

Note: These shares are held by Huimin Holdings Limited ("**Huimin**"), which is wholly owned by Mr. Ding Biyan. By virtue of the SFO, Mr. Ding Biyan is deemed to be interested in the shares held by Huimin.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2016.

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

The following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2016:

LONG POSITION IN ORDINARY SHARES OF THE COMPANY

	Capacity	Number of ordinary shares of the Company held	Approximate percentage of the total issued shares of the Company
Huimin	Beneficial owner	172,440,728	35.7%
Yang Min (楊敏)	Interest of spouse *(note)*	172,440,728	35.7%

Note: These shares are held by Huimin, which is wholly owned by Mr. Ding Biyan. By virtue of the SFO, Mr. Ding Biyan is deemed to be interested in the shares held by Huimin. Ms. Yang Min is the spouse of Mr. Ding Biyan. By virtue of the SFO, Ms. Yang Min is deemed to be interested in the same number of shares which Mr. Ding is deemed to be interested in.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2016.

CHANGE IN INFORMATION OF DIRECTORS

Mr. Ma Yiu Ho, Peter, an independent non-executive Director, has been appointed as an independent non-executive director, the chairman of the audit committee, and the member of the remuneration committee and nomination committee of TEM Holdings Limited (stock code: 8346), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect on 20 April 2016. He has also been appointed as an independent non-executive director and the chairman of the audit committee of Royal Catering Group Holdings Company Limited (stock code: 8300), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect on 21 July 2016.

Mr. Chan Chi Ching was appointed as an executive Director, and Mr. Wong King Shiu, Daniel was appointed as an independent non-executive Director with effect from 7 June 2016. Please refer to the announcement of the Company dated 7 June 2016 for information regarding the appointments.

Mr. Zhou Shigang resigned as an executive Director, and Mr. Zhang Zhizhong resigned as a non-executive Director while Dr. Liu Ta-pei and Ms. Lam Ka Lee were appointed as executive Directors with effect from 16 June 2016. Please refer to the announcement of the Company dated 16 June 2016 for information regarding the resignations and the appointments.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provisions**") and certain recommended best practices contained in the Corporate Governance Code and Corporate Governance Report 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 six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee is primarily responsible for, among other things, reviewing the Group's financial controls, risk management and internal control systems and monitoring the integrity of its financial statements and financial reports. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping and Mr. Liao Xiujian, with Mr. Ma Yiu Ho, Peter as its chairman.

The Audit Committee has reviewed with the management the financial and accounting policies adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management.

By order of the Board
HUISHENG INTERNATIONAL HOLDINGS LIMITED
Ding Biyan
Chairman

Hong Kong, 31 August 2016