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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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Huisheng International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*4*	**673,987**	1,154,016
Cost of sales		**(645,985)**	(1,044,712)
Gross profit		**28,002**	109,304
Other income	*4*	**1,848**	4,016
Gain arising from change in fair value of investment properties		**13**	—
(Loss)/gain arising from change in fair value less costs to sell of biological assets		**(5,644)**	16,259
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss		**(7,139)**	18,181
Gain arising on disposal of financial assets at fair value through profit or loss		**40,249**	9,528
Selling and distribution expenses		**(11,194)**	(21,366)
Administrative expenses		**(35,422)**	(54,558)
Finance costs	*6*	**(8,640)**	(9,361)
Profit before taxation		**2,073**	72,003
Taxation	*7*	**(3,042)**	(2,684)
(Loss)/profit for the year	*8*	**(969)**	69,319

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Other comprehensive (loss)/income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,260)**	799
Other comprehensive (loss)/income for the year, net of income tax		**(1,260)**	799
Total comprehensive (loss)/income for the year		**(2,229)**	70,118
(Loss)/profit for the year attributable to:			
Owners of the Company		**(275)**	70,701
Non-controlling interests		**(694)**	(1,382)
		(969)	69,319
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(1,535)**	71,500
Non-controlling interests		**(694)**	(1,382)
		(2,229)	70,118
(Loss)/earning per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	*9*	**(0.03)**	13.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	11	**650,314**	702,850
Prepaid lease payments		**32,614**	33,610
Biological assets		**23,823**	34,791
Deposits and prepayments for property, plant and equipment		**32,247**	32,247
Investment properties		**14,158**	—
Available-for-sale investments		**1,500**	1,500
		754,656	804,998
Current assets			
Financial assets at fair value through profit or loss	12	**71,385**	25,855
Biological assets		**7,309**	68,592
Inventories		**19,171**	8,706
Prepaid lease payments		**941**	886
Trade receivables	13	**131,898**	42,679
Prepayments, deposits and other receivables		**2,071**	35,404
Tax recoverable		**11**	—
Bank balances and cash		**349,780**	256,232
		582,566	438,354
Current liabilities			
Trade payables	14	**82,379**	11,043
Accruals and other payables		**16,899**	34,775
Borrowings	15	**63,313**	156,493
Deferred revenue		**25**	525
Tax payable		**5,534**	2,809
		168,150	205,645
Net current assets		**414,416**	232,709
Total assets less current liabilities		**1,169,072**	1,037,707

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current liabilities			
Deferred revenue		**328**	353
		328	353
Net assets		**1,168,744**	1,037,354
Equity			
Share capital		**7,200**	4,632
Reserves		**1,158,065**	1,028,549
Equity attributable to owners of the Company		**1,165,265**	1,033,181
Non-controlling interests		**3,479**	4,173
Total equity		**1,168,744**	1,037,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

2. GENERAL INFORMATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Unit 8A, 8/F., Aubin House, 171–172 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in hog breeding, hog slaughtering and sale of pork products in the People's Republic of China (the "**PRC**"). The consolidated financial statements are presented in Renminbi ("**RMB**"). The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") (which included all HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. A summary of the new and revised HKFRSs are set out as below:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatment[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.
4 Effective for annual periods beginning on or after 1 January 2021.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income for the years ended 31 December 2017 and 2016 as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of pork products	**669,250**	1,145,444
Others *(note)*	**4,737**	8,572
	673,987	1,154,016

Note: Others include processed pork products and porkers and slaughtering service.

	2017	2016
	RMB'000	*RMB'000*
Other income		
Interest income on:		
Financial assets at fair value through profit or loss	**146**	—
Bank deposits	**897**	917
Amortisation of deferred revenue	**25**	25
Total interest income	**1,068**	942
Government grants *(note)*	**618**	2,989
Sundry income	**162**	85
	1,848	4,016

Note: Government grants mainly represent incentive subsidies granted by the PRC government authorities 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 PRC government authorities.

5. 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 operation of the Group constitutes 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/loss 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 consolidated financial statements. The differences between the profit before taxation and assets reported to the CODMs and those in the consolidated financial statements are as follows:

	2017	2016
	RMB'000	*RMB'000*
Segment profit before taxation reported to the CODMs	**7,717**	55,744
Add:		
(Loss)/gain arising from changes in fair value less costs to sell of biological assets *(note)*	**(5,644)**	16,259
Profit before taxation reported in the consolidated financial statements	**2,073**	72,003

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

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

	2017	2016
	RMB'000	*RMB'000*
Segment assets reported to the CODMs	**1,174,388**	1,021,095
Add:		
(Loss)/gain arising from changes in fair value less costs to sell of biological assets *(note)*	**(5,644)**	16,259
Net assets reported in the consolidated financial statements	**1,168,744**	1,037,354

Note: The amounts represent fair values 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 PRC during the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
	RMB'000	*RMB'000*
Hunan Province	**527,142**	899,119
Guangdong Province	**28,406**	191,734
Beijing City	**—**	1,394
Zhejiang Province	**79,821**	5,444
Others	**38,618**	56,325
	673,987	1,154,016

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

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 78% of the total revenue during the year ended 31 December 2017 (2016: 78%).

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2017 (2016: nil).

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on:		
— Borrowings wholly repayable within five years	**8,640**	8,896
— Notes payable	**—**	465
	8,640	9,361

7. TAXATION

	2017	2016
	RMB'000	*RMB'000*
Current Tax		
— Hong Kong Profits Tax	**3,042**	2,684

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2016 and 2017.

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 operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2016 and 2017.

8. (LOSS)/PROFIT FOR THE YEAR

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

	2017	2016
	RMB'000	*RMB'000*
Directors' emoluments		
Directors' fee	**309**	813
Salaries and other benefits	**1,091**	903
Retirement schemes, contributions	**48**	80
Equity-settled share-based payment	**952**	—
	2,400	1,796
Other staff costs:		
Salaries and other benefits	**14,824**	22,399
Retirement schemes contributions	**3,369**	3,885
Equity-settled share-based payment	**6,666**	—
Total staff costs	**27,259**	28,080
Auditors' remuneration	**1,032**	1,000
Depreciation of property, plant and equipment	**41,804**	36,228
Written-off of property, plant and equipment	**12,049**	18,765
Amortisation of prepaid lease payments	**941**	880
Net foreign exchange loss	**1**	7,025
Loss from selling of non-current biological assets	**2,025**	3,224
Cost of inventories recognised as expenses *(note)*	**586,112**	974,244
Operating lease rental expenses in respect of rented premises	**715**	484

Note: The amount includes the service fee of approximately RMB3,798,000 paid to fattening farms during the year ended 31 December 2017 (2016: RMB7,353,000).

9. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2017	2016
	RMB'000	*RMB'000*
(Loss)/earning		
(Loss)/earning attributable to owners of the Company for the purpose of calculating basic (loss)/earning per share	**(275)**	70,701

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earning per share	**861,183**	532,897

The calculation of basic (loss)/earning per share is based on the loss attributable to owners of the Company for the year of approximately RMB275,000 (2016: profit of approximately RMB70,701,000) and the weighted average number of 861,183,000 (2016: 532,897,000) ordinary shares in issue during the year ended 31 December 2017.

For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of calculating basic earning per share has been taken into account of the effect of rights issue which were issued subsequent to the end of the reporting period.

The dilutive (loss)/earning per share is the same as the basic (loss)/earning per share as there was no potential dilutive ordinary shares in issue during both years.

10. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Final dividends paid	—	6,194

The Board does not recommend the payment of final dividend for the years ended 31 December 2017 and 2016.

During the year ended 31 December 2016, the Company paid HK$0.015 per share or approximately HK$7,237,000 in aggregate as final dividend for the year ended 31 December 2015.

11. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2017, the Group incurred costs for (i) buildings, (ii) plant and machinery and (iii) furniture fixtures and equipment of approximately RMB51,000, RMB691,000 and RMB594,000 respectively.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'000	*RMB'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**61,316**	25,855
Derivative financial assets		
Convertible bond	**10,069**	—
	71,385	25,855

Note: At 31 December 2017, the fair value of the listed equity securities, amounting to approximately RMB61,316,000 (2016: RMB25,855,000), was determined based on the quoted market bid prices available on the Stock Exchange.

13. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**131,898**	42,679

The Group offered 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:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**102,150**	21,084
31 days to 60 days	**29,398**	15,433
61 days to 80 days	**—**	—
Over 81 days	**350**	6,162
Total	**131,898**	42,679

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 management on the collectability of overdue balances.

Trade receivables that were past due are not consider impaired. The aged analysis of these trade receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
Less than 30 days past due	**350**	6,162

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**82,379**	11,043

The Group was offered credit period on purchase of goods 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:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**82,379**	11,043

15. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Secured:		
Bank borrowings *(note 1)*	**—**	42,000
Unsecured:		
Bank borrowings *(note 2)*	**30,000**	—
Other borrowings	**33,313**	114,493
	63,313	156,493

Notes:

(1) The bank borrowings as at 31 December 2016 were secured by the Group's assets.

(2) The bank borrowings as at 31 December 2017 were guaranteed by an independent third party.

Carrying amount repayable:

	2017	2016
	RMB'000	*RMB'000*
On demand or within one year and shown under current liabilities	**63,313**	156,493

The carrying amount of the Group's borrowings are all originally denominated in RMB and HK$.

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

	2017	2016
	%	*%*
Fixed rate borrowings	**4.00–14.00**	4.35–14.00

16. ACQUISITION OF ASSETS

For the year ended 31 December 2017

The Group acquired 100% of the entire issued share capital of Sunny Harvest Limited ("Sunny Harvest") and Simple Rise Inc. ("**Simple Rise**") for an aggregate consideration of approximately RMB14,327,000 (equivalent to HK$17,000,000) (the "**Acquisition**"). Major assets of Sunny Harvest and Simple Rise are investment properties, the purpose of the Acquisition is for the Group to earn rental income in the future and as such, the Acquisition has been accounted for as acquisition of the investment properties rather than business.

	RMB'000
Net assets acquired:	
Investment properties	14,315
Prepayments, deposits and other receivables	2
Tax recoverable	11
Accruals and other payables	(1)
	14,327
Total consideration satisfied by:	
Cash consideration	14,327
Net cash outflow arising on acquisition:	
Cash consideration	14,327

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 product line ranges from fresh, chilled and frozen pork, to side products as well as processed pork products including cured pork and sausages.

In the year 2017, the Group faced challenging market situation. According to the statistics from the National Bureau of Statistics of the PRC, in 2017, the price of pork products recorded a 11-month decrease in which the largest decrease was approximately 16.7% while throughout the full year there was an approximately 8.8% decrease as compared with 2016. The decrease is mainly due to the supply exceeds demand, which is mainly resulted from: (1) in the past 2 years the local breeding farmers were attracted by the continuous high price of pork products and thus increased the investment in breeding hogs, which resulted the over-supply of pork products; and (2) the continuous changing of dietary habits, in which more and more Chinese people would prefer to spend more in pork products with high quality, or other alternatives such as chicken or beef in order to maintain a healthy diet and fulfil their need of protein. As a result of the decrease in market price and also the decrease in sales volume, during the year ended 31 December 2017, the revenue of the Group was approximately RMB674.0 million, which was approximately 41.6% less than the same period of 2016.

In order to deal with the changing market environment, the Group has already taken a few actions. The Group is fine-tuning the supply chain and reformulating the source of hogs such as actively eliminates certain old breeder hogs and sources other better species as replacement in order to enhance the quality of pork products. Furthermore, with the aim of enhancing the utilization efficiency and reduction of costs, in May 2017 the Group disposed a small breeding farm at a consideration of RMB14.5 million and figuring other ways to reduce the idle capacity. Such move may not only cutting-down the low efficiency assets, but will also provide funds to the Group as spare working capital. The slaughter industry is a cash-base industry and the Group may need to settle the cost of hogs within a short period of time, and thus the Group has the intension to maintain a higher level of working capital for dealing with the difficult market situation. The Group is also considering other ways to reduce fixed costs and increase the cost elasticity by means of restructuring the supply model, such as written-off certain idle breeding facilities and consolidate the breeding activities into a few farms. Moreover, in view of the higher environmental protection requirements and the more frequent inspections from the related government authorities, the Group has spent more in sewage and waste treatment facilities and is evaluating the cost efficiency of maintaining the current breeding facilities while meeting the higher environmental regulatory requirements.

In December 2016, the Company proposed to raise approximately HK$144.75 million, before expenses, by way of the issuance of 289,490,000 rights shares to the qualifying shareholders at a subscription price of HK$0.50 per rights share on the basis of one (1) rights share for every two (2) existing shares held on the record date (the "**Rights Issue**"). The Directors consider that the Rights Issue will (i) reduce the uncertainty over the Company's financial position to repay part of the outstanding balance of such borrowings which incur high interest rate; (ii) strengthen the capital base of the Group and give the qualifying shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company; and (iii) provide the Group with flexibility in identifying potential investment opportunities. The Rights Issue was completed in February 2017. The gross proceeds and the net proceeds of the Rights Issue were approximately HK$144.75 million and HK$140.53 million respectively. The Company intended to use (i) approximately HK$87.82 million (representing approximately 62.5% of the net proceeds from the Rights Issue) for repayment of the borrowings of the Group; and (ii) approximately HK$52.71 million (representing approximately 37.5% of the net proceeds from the Rights Issue) for general working capital of the Group and financing any future business opportunities as may be identified by the Company. Details of the Rights Issue are set out in the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus dated 9 January 2017.

Since 10 January 2017, the board lot size of the shares for trading on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the Company (the "**Share(s)**") has been changed from 2,000 shares to 4,000 shares.

During the year ended 31 December 2017 (the "**Reporting Period**"), the actual use of proceeds of the Rights Issue is as follows:

Net proceeds raised (Approximately)		**Intended use of proceeds**	**Actual use of proceeds (Approximately)**
HK$87.82 million		For repayment of the borrowings of the Group	Fully used as intended
HK$52.71 million	HK$8.67 million	For payment of finance cost	Fully used as intended
	HK$3.24 million	For payment of legal and professional fee	Fully used as intended
	HK$2.45 million	For payment of staff and related cost	Fully used as intended
	HK$0.82 million	For payment of rental and office expenses	Fully used as intended
	HK$2.40 million	For payment of other administrative expenses	Fully used as intended
	HK$35.13 million	For future business opportunities	HK$17.15 million was used for setting up a licensed money lending company and for purchasing a property for rental income. In order to utilize the idle cash and seek for short term return in accordance to the treasury policy as adopted by the Company, the Group used HK$17.98 million for acquiring listed securities and convertible bonds.

Meanwhile, the Company understands providing incentives or rewards to the eligible persons for their contribution to the Group is important for long-term development of the Company. On 10 April 2017, the Company had granted a total of 40,000,000 share options of the Company at an exercise price of HK$0.51 per Share (the "**Option(s)**") to a Director, eligible employees and consultants of the Group. Among the Options granted, 5,000,000 Options were granted to an executive Director of the Company. Details of the grant of Options are set out in the announcement of the Company dated 10 April 2017.

On 11 July 2017, the Company announced that during the period from 3 April 2017 to 11 July 2017, the Group has disposed of 64,400,000 shares of China Candy Holdings Limited (Stock Code: 8182) ("**China Candy Shares**") at prices between HK$0.29 and HK$0.87 per share for an aggregate net sale proceeds of approximately HK$46,191,000 (after deduction of transaction costs) on the market (the "**Disposal of Shares**"). The purpose of the Disposal of Shares is to allow the Group to liquidate its securities investment and reallocate its resources in line with the Group's business development. Immediately before the Disposal of Shares, such China Candy Shares were classified as held for trading investments in the accounts of the Group. As a result of the Disposal of Shares, a gain of approximately HK$35,951,000 would be recorded in 2017. The aforesaid gain is calculated on the basis of the difference between the original acquisition cost and net sale proceeds (after deduction of the transaction costs). The Group intends to use the net proceeds of the Disposal of Shares for its existing business plans and/or general working capital.

On 18 July 2017, the Company entered into a placing agreement (the "**Placing Agreement**"), pursuant to which the Company has conditionally agreed to place, through a placing agent (the "**Placing Agent**") on a best endeavour basis, an aggregate of up to 173,692,000 shares to not less than six independent investors (the "**Placing**"). The Placing price was HK$0.40 per share, and the net proceeds from the Placing were expected to be approximately HK$67.9 million. On 8 August 2017, the Company and the Placing Agent had entered into a supplemental agreement to extend the long stop date from 8 August 2017 to 22 August 2017. On 22 August 2017, the Company further announced that due to the conditions of the Placing have yet to be fulfilled, and as such, the Placing Agreement had lapsed and the Placing had not proceeded. Details of the Placing are set out in the announcements dated 18 July 2017, 8 August 2017 and 22 August 2017.

On 31 August 2017, with the vision of diversifying the business risk and opening up new revenue source, the Company has entered into a sales and purchase agreement with LEAP Holdings Group Limited, an independent third party (as defined in the Listing Rules), in relation to the acquisition of the entire share capital of Simple Rise Inc., a British Virgin Islands incorporated company, which is the registered and beneficial owner of a property in Hong Kong (the "**Property**") at a consideration of HK$17,000,000 (the "**Acquisition**"). After the Reporting Period, the Company has started generating rental income of the Property.

Financial Review

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB674.0 million, representing a decrease of approximately 41.6% as compared with the same period of last year. The reduction was mainly due to the lower unit price as compared with the same period of last year as a result of supplies over demands. Given the selling price of pork products is more elastic than the cost of hogs, this resulted that the average selling price of pork products decreased at a faster pace than the average cost of hogs. Also, the changing dietary habits and the keen competition of imported pork products resulted a reduction in sales volume, and smaller slaughtering volume also lower the utilization rate and hence each products may bear more fixed costs. As a result, the average gross profit margin of the Group decreased from approximately 9.5% in 2016 to approximately 4.2% in the current year.

The selling and distribution expenses of the Group for the year ended 31 December 2017 decreased by approximately RMB10.2 million to approximately RMB11.2 million which is in line with the decrease in revenue for the year.

For the year ended 31 December 2017, the administrative expenses of the Group were approximately RMB35.4 million, while it was approximately RMB54.6 million in 2016. The reduction of administrative expenses is mainly due to the Group aimed to reduce cost in order to cope with the challenging situation, and thus implemented cost-saving policies such as streamline the administrative structure and encouraged staffs to perform business activities in a more cost-effective way.

The Group's finance costs was approximately RMB8.6 million in 2017, while it was approximately RMB9.4 million in 2016. The Company completed the issuance of new Shares under the Rights Issue during the first half of 2017, and applied certain proceeds to repay the borrowings of the Group and thus the finance costs were reduced.

The loss attributable to owners of the Company in 2017 was approximately RMB0.3 million, while it was profit approximately RMB70.7 million in 2016. The reduction was mainly due to the decrease of slaughtering volume and selling price, losses resulted from the elimination of breeder hogs and the decrease of fair value of biological assets, and also the recognition of an one-off equity-settled share-based payment expenses during this Reporting Period.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 31 December 2017, the Group had bank and cash balances of approximately RMB349.8 million (31 December 2016: approximately RMB256.2 million). The Group also had net current assets of approximately RMB414.4 million, which increased by approximately RMB181.7 million as compared with that as at 31 December 2016 which is mainly attributable to the issuance of new shares under the Rights Issue to repay the debts. The total non-current assets of the Group were approximately RMB754.7 million as at 31 December 2017 (31 December 2016: approximately RMB805.0 million). The decrease in the Group's total non-current assets was mainly attributable to the depreciation and written-off of property, plant and equipment.

As at 31 December 2017, the Group had several outstanding borrowings with an aggregate amount of approximately RMB63.3 million with fixed interest rates ranging from 4.0% to 14.0% per annum.

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

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars for the year ended 31 December 2017. 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 2017, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Charge of Group Assets

As at 31 December 2017, the Group had no charges on the Group's assets (2016: RMB163.1 million).

Gearing Ratio

As at 31 December 2017, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 5.4% (31 December 2016: approximately 15.1%).

Foreign Exchange Exposure

Since almost all transactions of the Group were denominated either in Renminbi and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the year under review, the Directors 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 2017, the Directors were not aware of any material contingent liabilities.

Future Plans for Material Investments

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 August 2017, the Company has entered into a sales and purchase agreement with LEAP Holdings Group Limited, an independent third party (as defined in the Listing Rules), in relation to the acquisition of the entire share capital of Simple Rise Inc., a British Virgin Islands incorporated company, which is the registered and beneficial owner of the Property at a consideration of HK$17,000,000.

Save as disclosed above, for the year ended 31 December 2017, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, there was no other significant investment during the year.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 387 staff and workers in Hong Kong and the PRC (31 December 2016: 436). 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

Since 10 January 2017, the board lot size of the Shares for trading on the Stock Exchange has been changed from 2,000 shares to 4,000 shares. The change of the board lot size does not result in any changes in the relative rights of the holders of the Shares.

In February 2017, the Company had completed the issuance of 289,490,000 Rights Shares to the qualifying shareholders at a subscription price of HK$0.50 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the record date.

On 2 February 2017, as a result of the Rights Issue, the issued Shares of the Company has increased from 578,980,000 Shares to 868,470,000 Shares.

As at 31 December 2017 and the date of this announcement, there are a total of 868,470,000 issued Shares of the Company.

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 2017.

COMPETING INTEREST

None of the Directors or 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 into with the respective Directors, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director was or had been materially interested, whether directly or indirectly, subsisted at the end of the year under review or any time during the year.

OUTLOOK AND FUTURE PROSPECTS

In recent years, the price of pork products has entered into the downward cycle and has continued for a period of time. The Group has got prepared during the year by means of restructuring the existing facilities to a more efficient and updated settings, and also seek for opportunities to develop a brand of higher quality pork products to cope with the need of mid-to-high end customers. The Group is also planning to restructure the current breeding models including changing the usage of existing farms, dispose or abandon idle facilities and source other larger farms with better effectiveness in order to increase the proportion of self-breeding hogs.

Besides, people are becoming more conscious on healthy eating habits and environmental issues which leads to a trend of greener diet. To tackle with this, alongside with reforming existing business in order to provide higher quality of pork products to our customers, the Board and the management of the Company will keep pace with the market condition and refine the business direction of the Company accordingly so that we can divert the business risk for the long term development. The Company will closely monitor and review the performance of the businesses of the Company and make suitable fine tuning as appropriate. With the goal of bringing sustainable growth of the Company and cash flow and profits for our Shareholders, the Board will continue to proactively seek for good opportunities for new business investment or development.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2017.

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 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 2017 except for the following:

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board. The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision A.6.7

Code Provision A.6.7 stipulates that all directors have given the board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Ding Biyan and Dr. Liu Tai-pei (both executive Directors), Mr. Deng Jinping and Mr. Wong King Shiu, Daniel (both independent non-executive Directors), Mr. Ma Yiu Ho, Peter (resigned as independent non-executive Director on 6 July 2017) and Mr. Liao Xiujian (resigned as independent non-executive Director on 20 September 2017) were unable to attend the annual general meeting ("**AGM**") held on 30 June 2017 due to their other business engagements.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

Mr. Ding Biyan, the chairman of the Board was unable to attend the AGM on 30 June 2017 due to other business engagement. However, an executive Director had chaired the AGM on 30 June 2017 and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in the Company's annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The audit committee (the "**Audit Committee**") of the Company is primarily responsible for reviewing the financial reporting process, internal control and risk management and internal control systems and monitoring the integrity of the financial statements and financial reports of the Company. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun, Alan, Mr. Deng Jinping and Mr. Wong King Shiu, Daniel, with Mr. Wong Yuk Lun, Alan as its chairman.

The Audit Committee has reviewed with the management the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2017. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of external auditors.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hsihl.com) and the Company's annual report for the year ended 31 December 2017 will be despatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

By order of the Board
HUISHENG INTERNATIONAL HOLDINGS LIMITED
Chan Chi Ching
Executive Director

Hong Kong, 16 March 2018

As at the date of this announcement, the Board comprises Mr. Ding Biyan, Mr. Chan Chi Ching, Dr. Liu Ta-pei and Ms. Lam Ka Lee as executive Directors; and Mr. Wong Yuk Lun, Alan, Mr. Deng Jinping and Mr. Wong King Shiu, Daniel as independent non-executive Directors.