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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

The Board wishes to announce that on 20 April 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Equity Interest, representing 100% of the registered capital of the Target Company, at a consideration of RMB38.0 million (equivalent to approximately HK$47.2 million).

Immediately after Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the Company's financial statements after Completion.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under the Listing Rules.

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The principal terms of the Equity Transfer Agreement are set out below:

THE EQUITY TRANSFER AGREEMENT

Date:	20 April 2018
Parties:	
Vendor:	湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
Purchaser:	常德宏潤牧業有限公司(Changde Hong Run Animal Husbandry Co., Ltd*) To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).
Assets to be disposed of:	100% of the registered capital of the Target Company
Consideration:	The consideration payable by the Purchaser to the Vendor for the purchase of the Equity Interest is RMB38.0 million (equivalent to approximately HK$47.2 million) and shall be payable within 6 months after the execution of the Equity Transfer Agreement (or such later date as the Vendor and the Purchaser may agree) in cash.

	The Consideration was determined at after arm's length negotiations between the Parties on normal commercial terms with reference to the unaudited net asset value of the Target Company as at 31 December 2017 and the reasons for the Disposal as mentioned in the section headed "Reasons for the Disposal" in this announcement.
Completion:	Completion of the Equity Transfer Agreement is unconditional and will take place within five (5) Business Days after the Vendor and the Purchaser entered into the Equity Transfer Agreement.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on information available, the Company expects to recognise an unaudited loss of approximately RMB3.2 million (equivalent to approximately HK$3.97 million) from the Disposal, being the difference between (i) the Consideration for the Disposal and (ii) the aggregate of the estimated unaudited net asset value of the Target Company as recorded in the Group's financial statement as at 31 March 2018, net of the estimated expenses to be incurred from the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

It is planned that the net proceeds from the Disposal will be applied for the Group's general working capital purpose. Immediately after Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the Company's financial statements after Completion.

INFORMATION OF THE GROUP, THE TARGET COMPANY AND THE PURCHASER

The Group 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 Target Company is a limited liability company established under the laws of the PRC and is engaged in livestock and poultry breeding, hog slaughtering and processing and sale of meat products and by-products in the PRC.

The Purchaser is a limited liability company established under the laws of the PRC and is engaged in livestock and poultry breeding, hog slaughtering and processing and sale of meat products and by-products.

The unaudited financial information of the Target Company prepared in accordance with the PRC generally accepted accounting principles for the two years ended 31 December 2016 and 2017, were as follows:

	For the years ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Revenue	–	–
Loss before tax	(36)	–
Loss after tax	(36)	–

The unaudited net assets value of the Target Company as at 31 March 2018 amounted to approximately RMB41.2 million (equivalent to approximately HK$51.2 million) based on unaudited financial statement of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards.

The assets of the Target Company comprise the old production base and the supporting buildings and two old breeding farms of the Group. These assets were held by the Vendor before the establishment of the Target Company. For illustration purpose only, the unaudited financial information of these assets for the two years ended 31 December 2016 and 2017, were as below:

	For the years ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Revenue	52,050	103,098
(Loss)/profit before tax	(531)	9,361
(Loss)/profit after tax	(531)	9,361

REASONS FOR AND BENEFITS OF THE DISPOSAL

The assets of the Target Company comprise the old production base and two old breeding farms of the Group. As stated in the prospectus of the Company dated 17 February 2014, the Group had constructed a new production base and commenced operation since 2014. The said new production base, which achieves higher efficiency with new plant and equipment, has gradually taken over the hog slaughtering and pork processing operation of the old production base. It was already planned that the old production base would be disposed once the transitional period passed and the new production base can run smoothly. The Board considers it is the right time to dispose of the old production base since the new production base has been operating smoothly for more than three years.

Furthermore, the Group recorded a decrease in the revenue and the average gross profit margin in the past year. The decrease is mainly due to (i) the keen competition from imported pork products, (ii) the over-supply of local pork products and (iii) the changing of dietary habits of Chinese people who turn to consume pork products with higher quality and other meat products. Combined with the effect of a lower utilization rate as a result of decreasing slaughtering volume, products' fixed cost has increased and the Group has experienced a decrease in the profit margin. In addition, the deteriorating operating environment resulted in the old production base and the two old breeding farms owned by the Target Company recorded an unaudited loss after tax of RMB531,000 for the year ended 31 December 2017 as compared to a profit after tax of RMB9,361,000 for the year ended 31 December 2016. The Board expects the loss making situation of the old production assets will not turnaround in the foreseeable future as efficiency will continue to drop due to the depreciation of assets over time.

The Board expects that the business environment of the Group will remain challenging in the near future, and time is required to thoroughly fine-tune the supply chain and re-formulate the source of hogs in order to adjust it to the challenges in the industry and to resume steady growth of profit. The Disposal will reduce the idle capacity, enhance the utilization efficiency, shed loss making operations and provide fund to the Group as spare working capital.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement is on normal commercial terms and fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors
"Business Day(s)"	a day (other than Saturday and Sunday) on which banks are open for business in the PRC and Hong Kong
"Company"	Huisheng International Holdings Limited (惠生國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange of Hong Kong
"Completion"	completion of the Disposal contemplated under the Equity Transfer Agreement in accordance with its terms and conditions
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Vendor for the Equity Interest in accordance with the terms and conditions of the Equity Transfer Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the transfer of 100% of the registered capital of the Target Company from the Vendor to the Purchaser
"Equity Interest"	100% of the registered capital of the Target Company, being RMB30,000,000

"Equity Transfer Agreement"	the equity transfer agreement dated 20 April 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Party(ies)"	the party(ies) to the Equity Transfer Agreement
"PRC"	the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	常德宏潤牧業有限公司(Changde Hong Run Animal Husbandry Co., Ltd*), a limited liability company established under the laws of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the holder(s) of the shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules

"Target Company"	常德惠幫牧業開發有限公司 (Changde Hui Bang Animal Husbandry Development Co., Ltd.*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company immediately prior to Completion
"Vendor"	湖南惠生肉業有限公司 (Hunan Huisheng Meat Products Co., Ltd.*), a limited liability company established under the laws of the PRC
"%"	per cent

The exchange rate adopted in this announcement for illustration purposes only is RMB1.00 = HK$1.242.

* *For identification purpose only*

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

Hong Kong, 20 April 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.