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 2013

HIGHLIGHTS

- Revenue for 2013 was approximately RMB1,106.4 million, representing an increase of 5.6% over 2012.
- Gross profit for 2013 was approximately RMB144.2 million, representing an increase of 9.1% over 2012.
- Profit for 2013 was approximately RMB102.0 million, representing an increase of 8.4% over 2012.
- Earnings per share for 2013 was RMB34.1 cents.
- The Board did not recommend the payment of final dividend of the year ended 31 December 2013.

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 2013 together with the comparative figures of 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
Revenue	*5*	**1,106,423**	1,047,620
Cost of sales		**(962,181)**	(915,391)
Gross profit		**144,242**	132,229
Other income	*5*	**3,767**	1,737
Change in fair value less costs to sell of biological assets		**(926)**	(3,327)
Selling and distribution expenses		**(13,767)**	(13,490)
Administrative expenses		**(21,024)**	(17,155)
Finance costs	*7*	**(10,248)**	(5,901)
Profit before taxation		**102,044**	94,093
Taxation	*8*	**–**	–
Profit for the year	*9*	**102,044**	94,093
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1,678**	300
Other comprehensive income for the year, net of income tax		**1,678**	300
Total comprehensive income for the year		**103,722**	94,393
Profit/(loss) for the year attributable to:			
Owners of the Company		**102,168**	94,093
Non-controlling interests		**(124)**	–
		102,044	94,093

	Notes	2013 RMB'000	2012 RMB'000
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**103,846**	94,393
Non-controlling interests		**(124)**	–
		103,722	94,393
Earnings per share attributable to owners of the Company	*10*		
Basic and diluted (RMB cents)		**34.1**	31.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	12	**246,789**	75,199
Prepaid lease payments		**34,325**	35,060
Biological assets		**8,257**	6,395
Deposits and prepayments for property, plant and equipment		**3,966**	38,470
Available-for-sale investment		**1,500**	–
		294,837	155,124
Current assets			
Biological assets		**9,786**	7,855
Inventories		**3,165**	1,683
Prepaid lease payments		**735**	735
Trade receivables	13	**136,712**	124,595
Prepayments, deposits and other receivables		**2,378**	2,669
Bank balances and cash		**280,838**	202,613
		433,614	340,150
Current liabilities			
Trade payables	14	**123,815**	106,257
Accruals and other payables		**26,812**	18,902
Amount due to a shareholder		**1,969**	1,428
Borrowings — due within one year	15	**53,000**	64,817
Deferred revenue		**88**	87
		205,684	191,491
Net current assets		**227,930**	148,659
Total assets less current liabilities		**522,767**	303,783

	Notes	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Loan from government		**808**	744
Notes payable	*16*	**55,764**	–
Deferred revenue		**557**	595
		57,129	1,339
Net assets		**465,638**	302,444
Equity			
Share capital		**–**	–
Reserves		**461,262**	302,444
Equity attributable to owners of the Company		**461,262**	302,444
Non-controlling interests		**4,376**	–
Total equity		**465,638**	302,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. REVIEW OF ANNUAL RESULTS

The annual results for 2013 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 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 place of business is at Room 901, 9th Floor, Loon Kee Building, 267–275 Des Voeux Central, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the production and sale of pork products in the People's Republic of China (the "PRC").

3. REORGANISATION

Pursuant to the pre-listing reorganisation of the Group ("Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 10 November 2011. The Reorganisation was completed by interspersing the Company, Huisheng Food Holdings Limited ("Huisheng (BVI)"), Hongkong Huisheng Meat Food Limited ("Hong Kong Huisheng") between Hunan Huisheng Meat Products Company Limited ("Hunan Huisheng") and the shareholders of Hunan Huisheng. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation were set out in the paragraph headed "The Reorganisation" in the section headed "Corporate history, development and Reorganisation" in the Company's prospectus dated 17 February 2014 (the "Prospectus").

4. 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 new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 & HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for sharebased payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements 2011–2013 Cycle[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

HKFRS 9 — *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 7 and HKAS 32 — *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – *Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 — *Novation of Derivatives and Continuation of Hedge Accounting*

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC)-*Int 21 Levies*

HK (IFRIC) 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The directors anticipate that the adoption of HK (IFRIC) 21 will have no material impact on the Group's financial performance and positions.

5. REVENUE AND OTHER INCOME

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of pork products	**1,100,309**	1,043,766
Others *(note)*	**6,114**	3,854
	1,106,423	1,047,620

Note: Others include processed pork products, porkers and slaughtering services.

	2013	2012
	RMB'000	*RMB'000*
Other income		
Interest income on:		
Bank deposits	**1,004**	928
Amortisation of deferred revenue	**83**	89
Total interest income	**1,087**	1,017
Government grants *(note)*	**1,837**	102
Gains from selling of non-current biological assets, net	**843**	616
Sundry income	**–**	2
	3,767	1,737

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

6. 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 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 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:

	2013	2012
	RMB'000	*RMB'000*
Segment profit before taxation reported to the CODMs	**102,970**	97,420
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(926)**	(3,327)
Profit before taxation reported in the consolidated financial statements	**102,044**	94,093

	2013	2012
	RMB'000	*RMB'000*
Segment assets reported to the CODMs	**466,564**	305,771
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(926)**	(3,327)
Net assets reported in the consolidated financial statements	**465,638**	302,444

Note: The amounts represent fair values changes in alive 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.

Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Hunan Province	**954,370**	880,865
Guangdong Province	**104,780**	117,394
Beijing City	**22,220**	15,021
Others	**25,053**	34,340
	1,106,423	1,047,620

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.

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.

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 86% of the total revenue for the year ended 31 December 2013 (2012: 84%).

Information about major customers

No individual customers contributed over 10% of the total revenue of the Group for the year ended 31 December 2013 (2012: nil).

7. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interests on:		
— Borrowings wholly repayable within five years	**5,285**	5,835
— Government loan *(note)*	**59**	66
— Notes payable	**4,904**	–
	10,248	5,901

Note: The amount represents the imputed interests on interest-free government loan.

8. TAXATION

	2013	2012
	RMB'000	*RMB'000*
Income tax expense	**–**	–

Hong Kong

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year ended 31 December 2013.

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

PRC

The PRC Enterprise Income Tax ("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.

According to the prevailing tax rules and regulations, Hunan Huisheng operating in the business of primary processing of agricultural products is exempted from the PRC EIT during the reporting periods.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2013	2012
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**2,707**	2,582
Amortisation of prepaid lease payments	**735**	735

10. 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 year of RMB102,168,000 (2012: RMB94,093,000) and the weighted average number of ordinary shares of the Company in issue during the year calculated as follows:

	2013	2012
Weighted average number of ordinary shares		
Effect of issue of shares	**10,419**	10,419
Effect of capitalisation issue	**299,989,581**	299,989,581
	300,000,000	300,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year has been adjusted for the 10,419 shares in issue and 299,989,581 shares issued pursuant to the capitalisation issue which took place upon the completion of the global offering of the Company's shares, which were assumed to occur at 28 February 2014.

No dilutive earnings per is presented as there was no potential dilutive ordinary shares in issue during both years.

11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2013, the Group incurred costs for plant and machinery, furniture, fixtures and equipment and construction in progress of approximately RMB5,000, RMB3,000 and RMB174,289,000 respectively.

13. TRADE RECEIVABLES

	2013 ***RMB'000***	2012 *RMB'000*
Trade receivables	**136,712**	124,595

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:

	2013 ***RMB'000***	2012 *RMB'000*
Within 30 days	**123,099**	107,253
31 days to 60 days	**13,613**	17,342
Total	**136,712**	124,595

14. TRADE PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**123,815**	106,257

The credit period on purchase of goods is 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:

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**107,746**	88,849
31 days to 60 days	**16,069**	17,408
	123,815	106,257

15. BORROWINGS

	2013	2012
	RMB'000	*RMB'000*
Secured bank borrowings	**53,000**	20,000
Loan from financial institution *(note)*	**–**	44,817
	53,000	64,817

Note: Pursuant to the deed of novation and release dated 29 August 2013, Hong Kong Huisheng has novated all its obligations and liabilities under a loan agreement dated 8 December 2011 to Huimin Holdings Limited and the obligations of Mr. Ding Biyan and the Company as guarantors have been released. For details of the agreements, please refer to the section headed "Further information about the business of our Group" in appendix VI to the Prospectus.

16. 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. 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.

	2013	2012
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Issue of notes payable	**60,000**	–
Transaction cost directly attributable to the issue of notes	**(5,871)**	–
Net proceeds received from issue of notes payable	**54,129**	–
Interest charged at effective interest rate of 10.6% per annum *(note 7)*	**4,904**	–
Interest payable	**(3,269)**	–
At the end of the year	**55,764**	–

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is one of the largest pork suppliers in terms of revenue in 2012 in Changde, Hunan Province, the PRC, principally engaged in the production and sale of pork products. The Group's operation mainly involves hog slaughtering as well as hog breeding and hog farming. The majority of its revenue was generated from the sale of pork products to customers in Hunan Province, the PRC. Currently, the Group's slaughterhouse situate at Wuling District of Changde is one of the 12 "Class A Hog Slaughtering Enterprises (A類合格生豬定點屠宰企業)" in Changde recognised by the People's Government of Changde in 2013 and also the only hog slaughterhouse authorised by the People's Government of Changde in the city areas of Changde. Pork products of the Group include fresh, chilled, frozen pork and side products as well as processed pork products including cured pork and sausages.

During the year, the Group continued to implement strategies of streamlining and vertically-integrating its operation. Phase one of the Group's new production base situated at Changde Economic and Technology Development Zone (常德經濟技術開發區) (the "New Production Base") for slaughtering and processing of pork products has been completed and put into trial operation since December 2013. It comprises a new slaughterhouse with an annual maximum slaughtering capacity of approximately 1,000,000 hogs and pork carving facilities with annual maximum capacity of approximately 30,000 tons of pork as well as freezer storage facilities, and it will gradually take over the hog slaughtering and pork processing operation of the old slaughterhouse in Wuling District of Changde.

In 2013, we also constructed a new breeding farm in Linli County (臨澧縣), Changde, Hunan Province, with an area of approximately 36,000 square metres and a planned maximum farming capacity of approximately 2,160 sows and an expected annual maximum output capacity of approximately 43,000 hogs. It has been put into trial operation since November 2013. The construction of three other new breeding farms in Wuxihe Xiang (浯溪河鄉), Dingjiagang Xiang (丁家港鄉) and Huangtudian Town (黃土店鎮), Hunan Province, is also underway and is expected to be completed around the third to fourth quarter of 2014.

Results of Operations

The Group's revenue increased by approximately RMB58.8 million, or 5.6%, from approximately RMB1,047.6 million for the year ended 31 December 2012 to approximately RMB1,106.4 million for the year ended 31 December 2013. The increase in revenue was primarily attributable to the increase in overall sales volume of its major pork products by approximately 4.8% and increase in overall average selling prices of its major pork products by approximately 0.6% for the year ended 31 December 2013 as compared to the year ended 31 December 2012.

The Group's gross profit increased by approximately RMB12.0 million, or 9.1%, from approximately RMB132.2 million for the year ended 31 December 2012 to approximately RMB144.2 million for the year ended 31 December 2013 which was in line with the increase in its revenue mainly due to the increase in overall sales volume of its major pork products. The Group's gross profit margin increased slightly from approximately 12.6% for the year ended 31 December 2012 to approximately 13.0% for the year ended 31 December 2013 which was primarily attributable to the decrease in average cost of hogs purchased from third party suppliers resulted from the decrease in market price of hogs during the year ended 31 December 2013.

The Group's other income increased by approximately RMB2.1 million, or 123.5%, from approximately RMB1.7 million for the year ended 31 December 2012 to approximately RMB3.8 million for the year ended 31 December 2013 primarily attributable to the increase in government grant.

The Group's selling and distribution expenses remained stable at approximately RMB13.8 million for the year ended 31 December 2013 as compared to that of approximately RMB13.5 million for the year ended 31 December 2012. The Group's selling and distribution expenses as a percentage to revenue also remained stable at approximately 1.3% and 1.2% for the years ended 31 December 2012 and 2013.

The Group's administrative expenses increased by approximately RMB3.8 million, or 22.1%, from approximately RMB17.2 million for the year ended 31 December 2012 to RMB21.0 million for the year ended 31 December 2013. The increase was primarily due to the increase in legal and professional fees from approximately RMB6.0 million for the year ended 31 December 2012 to approximately RMB6.8 million for the year ended 31 December 2013 primarily related to the listing expenses incurred in accordance with the terms of engagements entered into with professional parties during the course of the Company's listing exercise.

The Group's finance costs increased by approximately RMB4.3 million, or 72.9%, from approximately RMB5.9 million for the year ended 31 December 2012 to approximately RMB10.2 million for the year ended 31 December 2013 primarily attributable to interest charges on the collective notes of RMB60.0 million issued in January 2013.

The Group's profit for the year increased by approximately RMB7.9 million, or 8.4%, from approximately RMB94.1 million for the year ended 31 December 2012 to approximately RMB102.0 million for the year ended 31 December 2013. The Group's net profit margin slightly increased from approximately 9.0% for the year ended 31 December 2012 to approximately 9.2% for the year ended 31 December 2013. The increase in net profit and net profit margin was mainly attributable to the increase in both its revenue and gross profit margin as discussed above.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 31 December 2013, the Group had bank and cash balances of approximately RMB280.8 million (31 December 2012: approximately RMB202.6 million). The Group also had net current assets of approximately RMB227.9 million, which was increased by approximately RMB79.2 million as compared with that for the year ended 31 December 2012. The total non-current assets of the Group were approximately RMB294.8 million in 2013 (2012: RMB155.1 million). The increase in the Group's total non-current assets was mainly attributable to the foundation work of its New Production Base and the new breeding farm in Linli County (臨澧縣), Changde, Hunan Province, and the new investment in Changde Jiuding Agriculture Co., Ltd. (常德九鼎農牧有限公司).

The Group also had several outstanding bank loans with an aggregate amount of approximately RMB53.0 million with fixed interest rates ranging from 7.2%–12.0% per annum. In January 2013, the Group issued collective notes to institutional investors of the Inter-bank Bond Market of the PRC at the principal amount of RMB60 million with a fixed interest rate at 5.9% per annum.

The Group intends to principally finance its operations and investing activities with 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 trading transactions, assets and liabilities of the Group 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 31 December 2013, 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 2013, the Group has pledged certain buildings, construction in progress and prepaid lease payments of approximately RMB129,889,000.

Gearing Ratio

The Group's gearing ratio, which was total debts (summation of borrowings, notes payable, loan from government and amount due to a shareholder) divided by total equity and multiplied by 100%, increased to approximately 24.0% in 2013 from approximately 22.1% in 2012.

Future Plans for Material Investments

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

Material Acquisitions and Disposals

In April 2013, Hunan Huisheng entered into an agreement with Yueyang Jiuding Agriculture Co., Ltd. (岳陽九鼎農牧有限公司) to acquire 6% of the entire equity interest in Changde Jiuding Agriculture Co., Ltd. (常德九鼎農牧有限公司) at an aggregate consideration of RMB1.5 million. Changde Jiuding Agriculture Co., Ltd. (常德九鼎農牧有限公司) is principally engaged in the production of feed. The transaction was completed in April 2013 and recorded as an available-for-sale investment in 2013.

Significant Investment

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

Contingent Liabilities

As at 31 December 2013, the Directors were not aware of any material contingent liabilities.

Subsequent Events

The following significant events took place subsequent to 31 December 2013:

(a) *Capitalisation of share capital*

As part of the Listing (as defined in (b) below), 299,989,581 shares of HK$0.01 each in the share capital of the Company (the "Shares") were issued, credited as fully paid by way of capitalisation of share premium on the proceeds from the allotment of 100,000,000 Shares in the manner as detailed in the Prospectus.

(b) *Global offering and allotment of shares to public equity holders*

On 28 February 2014, the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by issuing 100,000,000 Shares at HK$2.05 per share (the "Listing") with net proceeds of approximately HK$164.1 million received.

Immediately upon completion of the capitalisation and the global offering, the Company had 400,000,000 issued Shares.

(c) *Allotment of shares upon exercise of the Over-allotment Option*

The Company granted an option (the "Over-allotment Option") to the underwriters of the International Offering (as defined in the Prospectus), pursuant to which the Company may be required to allot and issue up to an aggregate of 18,000,000 additional shares at HK$2.05, being the offer price under the global offering, to cover over-allocations in the International Offering. The Over-allotment Option was partially exercised on 21 March 2014 and an aggregate of 2,484,000 Shares were issued accordingly. The net proceeds of approximately HK$4.9 million was received by the Company. Please refer to the announcement of the Company dated 24 March 2014 for further details.

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 years 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.

Employees and Remuneration Policy

As at 31 December 2013, the Group employed about 450 staff and workers in Hong Kong and the PRC (31 December 2012: 450). 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.

Outlook and Future Prospects

It is the Group's strategy and ultimate goal to streamline and vertically integrate its entire business operation through further implementation of the breeding and farming model and expansion of its hog slaughtering capacity in order to ensure a stable supply of quality hogs and minimise reliance on third party suppliers in the future. The Group believe that such expansion will strengthen its market reputation and enhance its market penetration in Hunan Province as well as other areas in the PRC, and to become a nationwide pork supplier.

The Group is currently undertaking phase two development of the New Production Base, which comprises additional pork processing facilities and freezer storage facilities, which are expected to be put into trial operation around the second quarter and towards the end of 2014 respectively. The New Production Base is built with a high quality standard and equipped with more advanced production equipment, thus the Group could enjoy cost savings through maximising production efficiency. It will be capable of producing new downstream products of up to 10,000 tons including quick frozen food and pork bone-related products, which allow the Group to diversify its product offering. The increased slaughtering capacity and pork carving capacity as well as freezer storage capacity will help the Group to meet the increasing demand for its products and increase its market penetration within and outside Hunan Province.

The Group is constructing three new breeding farms in Wuxihe Xiang (浯溪河鄉), Dingjiagang Xiang (丁家港鄉) and Huangtudian Town (黃土店鎮), Hunan Province. These new breeding farms will have better designs and layouts and will be equipped with more advanced equipment. More advanced farming techniques will be employed in these new breeding farms, thus could improve its farm management and enhance its operational and management efficiency. The new farms could also provide a better living and resting environment for the sows of the Group, which the Group believe is one of the most important factors in promoting the health of its sows and thus the quality of its pork products. Even though there are some difficulties in the construction of the new breeding farm in Wuxihe Xiang due to its terrain situation, the management will endeavour to resolve the problems and complete the construction of the new breeding farms on schedule.

Capital Structure

The shares of the Company have been listed on the Stock Exchange since 28 February 2014 (the "Listing Date"). On 21 March 2014, an aggregate of 2,484,000 Shares were issued pursuant to the partial exercise of the Over-allotment Option. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and other reserves.

Competing Interest

None of the directors or the controlling shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 year under review or any time during the year.

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 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 set out in the Model Code since the Listing Date and up to the date of this announcement.

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 from the Listing Date up to the date of this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "Code Provisions") contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Company was listed on the Stock Exchange on 28 February 2014.

From the Listing Date and up to the date of this announcement, the Company had complied with the Code Provisions.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee (the "Audit Committee") of the Company is primarily responsible for reviewing the financial reporting process, internal control system and the quality of the financial reports of the Company. 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 accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2013. It has also discussed the financial reporting process, internal control system of the Company with the management.

In addition, the Company's external auditors, HLB Hodgson Impey Cheng Limited, has performed an independent audit of the Group's consolidated financial statements for the year ended 31 December 2013 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 28 May 2014 and the notice of annual general meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 May 2014 to Wednesday, 28 May 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Wednesday, 28 May 2014. In order to be eligible to attend and vote at the annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on Friday, 23 May 2014.

PUBLICATION OF ANNUAL RESULTS 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 2013 Annual Report will be despatched to Shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 27 March 2014

As at the date of this announcement, the Board comprises Mr. Ding Biyan, Mr. Yu Jishi, Mr. Ding Jingxi and Mr. Zhou Shigang as executive Directors; Mr. Zhang Zhizhong as non-executive Director; and Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping and Mr. Liao Xiujian as independent non-executive Directors.