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 2016

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 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	5	**1,154,016**	1,514,428
Cost of sales		**(1,044,712)**	(1,346,758)
Gross profit		**109,304**	167,670
Other income	5	**4,016**	5,777
Gain/(loss) arising from change in fair value less costs to sell of biological assets		**16,259**	(363)
Gain arising from change in fair value of financial assets at fair value through profit or loss		**18,181**	–
Gain arising on disposal of financial assets at fair value through profit or loss		**9,528**	–
Selling and distribution expenses		**(21,366)**	(21,424)
Administrative expenses		**(54,558)**	(25,595)
Finance costs	7	**(9,361)**	(8,693)
Profit before taxation		**72,003**	117,372
Taxation	8	**(2,684)**	–
Profit for the year	9	**69,319**	117,372

	Notes	**2016** **RMB'000**	2015 RMB'000
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**799**	2,565
Other comprehensive income for the year, net of income tax		**799**	2,565
Total comprehensive income for the year		**70,118**	119,937
Profit/(loss) for the year attributable to:			
Owners of the Company		**70,701**	116,694
Non-controlling interests		**(1,382)**	678
		69,319	117,372
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**71,500**	119,259
Non-controlling interests		**(1,382)**	678
		70,118	119,937
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents per share) (restated)	*10*	**13.3**	25.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	12	**702,850**	640,530
Prepaid lease payments		**33,610**	34,360
Biological assets		**34,791**	28,743
Deposits and prepayments for property, plant and equipment		**32,247**	30,466
Available-for-sale investment		**1,500**	1,500
		804,998	735,599
Current assets			
Financial assets at fair value through profit or loss	13	**25,855**	–
Biological assets		**68,592**	25,909
Inventories		**8,706**	13,319
Prepaid lease payments		**886**	840
Trade receivables	14	**42,679**	183,847
Prepayments, deposits and other receivables		**35,404**	17,858
Bank balances and cash		**256,232**	249,783
		438,354	491,556
Current liabilities			
Trade payables	15	**11,043**	140,107
Accruals and other payables		**34,775**	30,924
Amount due to a shareholder		**–**	1,992
Borrowings	16	**156,493**	76,731
Deferred revenue		**525**	49
Tax payable		**2,809**	–
		205,645	249,803
Net current assets		**232,709**	241,753
Total assets less current liabilities		**1,037,707**	977,352

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Non-current liabilities			
Loan from government		**–**	476
Notes payable		**–**	59,816
Deferred revenue		**353**	378
		353	60,670
Net assets		**1,037,354**	916,682
Equity			
Share capital		**4,632**	3,801
Reserves		**1,028,549**	907,326
Equity attributable to owners of the Company		**1,033,181**	911,127
Non-controlling interests		**4,173**	5,555
Total equity		**1,037,354**	916,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2016 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"), which is the same as financial currency of most of the subsidiaries, and the functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in thousands of units of RMB (RMB'000), unless otherwise stated.

3. REORGANISATION

Pursuant to the pre-listing reorganisation of the Group to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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, Hongkong Huisheng Meat Food Limited between Hunan Huisheng Meat Products Company Limited ("Hunan Huisheng") (湖南惠生肉業有限公司) and the shareholders of Hunan Huisheng. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity.

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 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 2016. A summary of the new and revised HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years 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 in the consolidated financial statements:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company do not anticipate that the application of these new and revised HKFRSs will have a significant impact on the Group's financial performance and position.

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of pork products	**1,145,444**	1,504,308
Others *(note)*	**8,572**	10,120
	1,154,016	1,514,428

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

	2016	2015
	RMB'000	*RMB'000*
Other income		
Interest income on:		
Bank deposits	**917**	1,009
Amortisation of deferred revenue	**25**	52
Total interest income	**942**	1,061
Government grants *(note)*	**2,989**	4,018
Gain from selling of non-current biological assets, net	**–**	672
Sundry income	**85**	26
	4,016	5,777

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.

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 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:

	2016	2015
	RMB'000	*RMB'000*
Segment profit before taxation reported to the CODMs	**55,744**	117,735
Add:		
Gain/(loss) arising from changes in fair value less costs to sell of biological assets *(note)*	**16,259**	(363)
Profit before taxation reported in the consolidated financial statements	**72,003**	117,372

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.

	2016	2015
	RMB'000	*RMB'000*
Segment assets reported to the CODMs	**1,021,095**	917,045
Add:		
Gain/(loss) arising from changes in fair value less costs to sell of biological assets *(note)*	**16,259**	(363)
Net assets reported in the consolidated financial statements	**1,037,354**	916,682

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 2016 and 2015 is as follows:

	2016	2015
	RMB'000	*RMB'000*
Hunan Province	**899,119**	1,259,522
Guangdong Province	**191,734**	148,596
Beijing City	**1,394**	5,741
Others	**61,769**	100,569
	1,154,016	1,514,428

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 2016 (2015: 83%).

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2016 (2015: nil).

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interests on:		
— Borrowings wholly repayable within five years	**8,896**	3,005
— Government loan *(note)*	**–**	27
— Notes payable	**465**	5,661
	9,361	8,693

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

8. TAXATION

	2016	2015
	RMB'000	*RMB'000*
Current Tax		
— Hong Kong Profits Tax	**2,684**	–

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2016. No provision for Hong Kong profits tax for the year ended 31 December 2015 had been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the year ended 31 December 2015.

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) (享受企業所得税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 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 2015.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Directors' emoluments	**1,796**	1,273
Other staff costs:		
Salaries and other benefits	**22,399**	23,364
Retirement schemes contributions	**3,885**	4,697
Total staff costs	**28,080**	29,334
Auditors' remuneration	**1,000**	1,000
Depreciation of property, plant and equipment	**36,228**	26,849
Written off of property, plant and equipment	**18,765**	–
Amortisation of prepaid lease payments	**880**	831
Net foreign exchange loss	**7,025**	—
Cost of inventories recognised as expenses *(note)*	**974,244**	1,275,412
Operating lease rental expenses in respect of rented premises	**484**	279

Note: The amount includes the service fee of approximately RMB7,353,000 paid to fattening farms during the year ended 31 December 2016 (2015: RMB6,190,000).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	**70,701**	116,694

	2016	2015
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**532,897**	453,007

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of approximately RMB70,701,000 (2015: RMB116,694,000) and the weighted average number of 532,897,000 (2015: 453,007,000) ordinary shares in issue during the year ended 31 December 2016.

For the year ended 31 December 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been restated and adjusted with the effect of rights issue which were accrued subsequent to the end of the reporting period.

The diluted earnings per share is the same as the basic earnings per share as there was no potential dilutive ordinary shares in issue during both years.

11. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Final dividends paid of HK$0.015 per ordinary share (2015: HK$0.015)	**6,194**	5,731

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

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: HK$0.015 per share).

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2016, the Group incurred costs for (i) plant and machinery, (ii) furniture, fixtures and equipment and (iii) construction in progress of approximately RMB16,000, RMB66,000 and RMB117,231,000 respectively.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RMB'000	*RMB'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**25,855**	—

Note: At 31 December 2016, the fair value of the listed equity securities, amounting to approximately RMB25,855,000 (2015: Nil), was determined based on the quoted market bid prices available on the Stock Exchange.

14. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**42,679**	183,847

The Group offered credit period on sale of pork products, which 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:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**21,084**	169,719
31 days to 60 days	**15,433**	13,880
61 days to 80 days	**–**	–
Over 80 days	**6,162**	248
Total	**42,679**	183,847

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

Trade receivables that were past due are not consider impaired. These related to a number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days past due	**6,162**	248

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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.

15. TRADE PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**11,043**	140,107

The Group was offered credit period on purchase of goods, which 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:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**11,043**	140,107

16. BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Secured bank borrowings	**42,000**	76,731
Other borrowings	**114,493**	–
	156,493	76,731

Carrying amounts repayable:

	2016	2015
	RMB'000	*RMB'000*
On demand or within one year and shown under current liabilities	**156,493**	76,731

The carrying amounts of the Group's borrowings are all originally denominated in RMB and HKD, which are the functional currencies of the Group's entities. The bank borrowings were secured by the Group's assets.

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

	2016	2015
	%	*%*
Fixed rate borrowings	**4.35–14.00**	1.58–9.72

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

In June 2016, the Company entered into a placing agreement for placing 96,496,000 Shares to not less than six independent investors at a placing price of HK$0.70 per Share (the "Placing"). The Placing was completed in July 2016 and has raised net proceeds of approximately HK$65.8 million. The Directors are of the view that the Placing has strengthened the financial position of the Group and enabled the Group to fund any potential development and investment opportunities to be identified by the Company. It has also broadened the shareholders and the capital bases of the Company. Please refer to the announcements of the Company dated 21 June 2016 and 7 July 2016 for information regarding the Placing.

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. Please refer to the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 for information regarding the Rights Issue.

Since 10 January 2017, the board lot size of the Shares for trading on the Stock Exchange was changed from 2,000 shares to 4,000 shares and it is expected to increase the value of each board lot of the Shares, as well as to reduce transaction and registration costs incurred by the shareholders and investors of the Company. The change of the board lot size will not result in any changes in the relative rights of the holders of the Shares.

Results of Operations

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB1,154.0 million, representing a decrease of approximately 23.8% from approximately RMB1,514.4 million for the year ended 31 December 2015. The reduction was mainly due to the decrease of the Group's overall slaughtering volume by approximately 36% in 2016. The slaughtering volume fell because the pork production volume had continued to be dampened by the decelerating population growth and changing diet of the Chinese people, and the pork price had remained high for so long that people started to turn to alternatives such as lamb and beef.

The average gross profit margin of the Group for the year ended 31 December 2016 was approximately 9.5% compared to approximately 11.1% for the year ended 31 December 2015. Although the average selling price of major pork products increased during 2016, the average cost of hogs rose at a relatively faster pace, leading to a decrease in the average gross profit margin. The Group is planning to make some internal restructuring for improving the worth of self-breeding hogs. The proposed actions include replacement of the existing breeder hogs to another species, and restructuring the existing breeding farms in order to fully utilize the space and equipment of the Group.

The selling and distribution expenses of the Group for the year ended 31 December 2016 was approximately RMB21.4 million, and the Group's selling and distribution expenses as a percentage of revenue remained relatively stable at approximately 1.85% and 1.41% for the years ended 31 December 2016 and 2015 respectively.

For the year ended 31 December 2016, the administrative expenses of the Group were approximately RMB54.6 million, while it was approximately RMB25.6 million in 2015. Such increment was mainly the result of written off certain property, plant and equipment with net book value of approximately RMB18.8 million, which were already used before the Listing of the Company. The Group has already run in parallel the new plants and old plants for 3 years, and the management of the Group considered that the cost of maintaining a backup plant may outweigh the benefit. It is also considered that the new production and breeding facilities are enough to support the present and future operation of the Group, and the closure of the old plants will not have any material negative impact to the continuous operation of the Group.

The Group's finance costs was approximately RMB9.4 million in 2016, while it was approximately RMB8.7 million in 2015. The increment was mainly due to the increase of borrowings, which were used for the business development and general working capital of the Group.

The profit attributable to owners of the Company in 2016 was approximately RMB70.7 million, representing a decrease of approximately 39.4% as compared with the same period of 2015. The reduction was mainly due to the decrease of sales volume during the second half of 2016 and also the written off of certain property, plant and equipment. There was also an exchange loss of approximately RMB7.0 million which was resulted from the repayment of a bank loan dominated in HK$ by a PRC subsidiary.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 31 December 2016, the Group had bank and cash balances of approximately RMB256.2 million (31 December 2015: approximately RMB249.8 million). The Group also had net current assets of approximately RMB232.7 million, which decreased by approximately RMB9.0 million as compared with that as at 31 December 2015 mainly attributable to the increase in borrowings. The total non-current assets of the Group were approximately RMB805.0 million as at 31 December 2016 (31 December 2015: approximately RMB735.6 million). The increase in the Group's total non-current assets was mainly attributable to the capital expenditure in the breeding farms.

As at 31 December 2016, the Group had several outstanding borrowings with an aggregate amount of approximately RMB156.5 million with fixed interest rates ranging from 4.35% to 14.00% 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 2016. 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 2016, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Charge of Group Assets

As at 31 December 2016, the Group pledged certain buildings and prepaid lease payments of an aggregate amount of approximately RMB163.1 million.

Gearing Ratio

As at 31 December 2016, the Group's gearing ratio (being its total debts which are the summation of bank borrowings, notes payable, loan from government and amount due to a shareholder divided by its total equity and multiplied by 100%) was approximately 15.1% (31 December 2015: approximately 15.2%).

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 2016, 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

For the year ended 31 December 2016, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

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

SUBSEQUENT EVENTS

On 15 December 2016, the Company announced to raise approximately HK$144.75 million, before expenses, by way of rights issue (the "Rights Issue") 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 "Record Date"). The Rights Issue was completed on 2 February 2017. Please refer to the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 for information regarding the Rights Issue.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: HK$0.015).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 436 staff and workers in Hong Kong and the PRC (31 December 2015: 525). 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

Save for the Placing, there has been no change in the capital structure of the Company for the year ended 31 December 2016. As at 31 December 2016, the number of total issued Shares of the Company was 578,980,000 Shares.

ISSUE OF NEW SHARES AND USE OF PROCEEDS

On 21 June 2016, the Company, by way of placing, placed a total of 96,496,000 placing Shares to not less than six placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of, and not connected with, the Company, any Director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates at the placing price of HK$0.70 per placing Share. None of the placees has become a substantial Shareholder (as defined under the Listing Rules) immediately after completion. The Placing was completed on 7 July 2016 and the net proceeds of approximately HK$65,800,000 were received by the Company. The proceeds from the placing have been used for (i) approximately HK$28.9 million for payment of operating expenses; and (ii) approximately HK$36.9 million for addition of biological assets.

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 for the year ended 31 December 2016.

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

With the rising public attention on food safety issues and the recent spoiled meat scandal spread worldwide, coupled with the changing healthy eating habits, the Company is dedicated to its founding motto to provide quality pork for the people's well-being as well as to restructure the Group to manage the business risk ahead and for the sustainable development of the Company. In 2016, the Company has well demonstrated its determination to prepare the Company on various levels for the challenges.

With the joining of some new directors who have vast business network and a wealth of experience in different areas, it brings new insights and leadership to the Company. The Company had also kick-started a few corporate actions in 2016, including the Placing and the Rights Issue (which was completed in February 2017), so that the Company is equipped with sufficient capital to develop in any potential projects and strategically refine the business of the Company. These steps in 2016 were a testimony of the Group's commitment in developing the existing business as well as looking for new business opportunities for the Group in order to generate returns to the Company and its shareholders. The Company will always remember its motto and keep our original aspirations of providing the highest quality products and also bringing a higher return and benefits to the Company in the near future to come.

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 2016.

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 2016.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company is primarily responsible for reviewing the financial reporting process, internal control and risk management systems 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 2016. It has also discussed the financial reporting process and the internal control and risk management 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 2016 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, 31 March 2017

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. Ma Yiu Ho, Peter, Mr. Deng Jinping, Mr. Liao Xiujian and Mr. Wong King Shiu, Daniel as independent non-executive Directors.