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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Huisheng International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**337,763**	788,218
Cost of sales		**(320,790)**	(707,449)
Gross profit		**16,973**	80,769
Other income	*3*	**1,304**	3,448
(Loss)/gain arising from change in fair value less costs to sell of biological assets		**(1,901)**	9,383
Net loss arising from change in fair value of financial assets at fair value through profit or loss		**(1,422)**	—
Net gain arising from disposal of financial assets at fair value through profit or loss		**27,716**	—
Selling and distribution expenses		**(9,717)**	(14,599)
Administrative expenses		**(23,730)**	(15,635)
Finance costs		**(4,289)**	(8,117)
Profit before taxation		**4,934**	55,249
Taxation	*6*	**(2,613)**	—
Profit for the period	*5*	**2,321**	55,249

	Notes	Six months ended 30 June **2017** ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**9,042**	4,114
Other comprehensive income for the period, net of income tax		**9,042**	4,114
Total comprehensive income for the period		**11,363**	59,363
Profit/(loss) for the period attributable to:			
Owners of the Company		**2,323**	54,654
Non-controlling interests		**(2)**	595
		2,321	55,249
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**11,365**	58,768
Non-controlling interests		**(2)**	595
		11,363	59,363
Earnings per share attributable to owners of the Company	*8*		
Basic and diluted (RMB cents per share) (restated)		**0.3**	11.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**As at 30 June 2017 RMB'000 (Unaudited)**	As at 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**666,109**	702,850
Prepaid lease payments		**33,172**	33,610
Biological assets		**25,724**	34,791
Deposits and prepayments for property, plant and equipment		**32,247**	32,247
Available-for-sale investment		**1,500**	1,500
		758,752	804,998
Current assets			
Financial assets at fair value through profit or loss	*9*	**71,076**	25,855
Biological assets		**8,223**	68,592
Inventories		**27,878**	8,706
Prepaid lease payments		**886**	886
Trade receivables	*10*	**148,505**	42,679
Prepayments, deposits and other receivables		**31,838**	35,404
Bank balances and cash		**301,349**	256,232
		589,755	438,354
Current liabilities			
Trade payables	*11*	**74,000**	11,043
Accruals and other payables		**17,106**	34,775
Borrowings	*12*	**68,913**	156,493
Deferred revenue		**525**	525
Tax payable		**5,288**	2,809
		165,832	205,645

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Net current assets		**423,923**	232,709
Total assets less current liabilities		**1,182,675**	1,037,707
Non-current liability			
Deferred revenue		**340**	353
Net assets		**1,182,335**	1,037,354
Equity			
Share capital		**7,200**	4,632
Reserves		**1,170,964**	1,028,549
Equity attributable to owners of the Company		**1,178,164**	1,033,181
Non-controlling interests		**4,171**	4,173
Total equity		**1,182,335**	1,037,354

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

2. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). They have been prepared under the historical cost convention, except for biological assets and certain financial instruments which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2017 are consistent with those used in the annual financial statements for the year ended 31 December 2016 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (the "**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial period beginning from 1 January 2017. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

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

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

3. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of pork products	**336,156**	785,052
Others *(note)*	**1,607**	3,166
	337,763	788,218

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposits	**398**	492
Amortisation of deferred revenue	**13**	13
Total interest income	**411**	505
Dividend income	**4**	—
Government grants *(note)*	**451**	1,803
Gain on disposal of property, plant and equipment	**438**	—
Sundry income	**—**	1,140
	1,304	3,448

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

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (the "**CODMs**"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The operations of the Group constitute one reportable segment, i.e. slaughtering and trading of pork products. This is also the basis upon which the Group is arranged and organised.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment profit before taxation reported to the CODMs	**6,835**	45,866
Add:		
(Loss)/gain arising from change in fair value less costs to sell of biological assets *(note)*	**(1,901)**	9,383
Profit before taxation reported in the condensed consolidated interim financial statements	**4,934**	55,249

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

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

	As at 30 June 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Segment assets reported to the CODMs	**1,184,236**	1,021,095
Add:		
(Loss)/gain arising from change in fair value less costs to sell of biological assets *(note)*	**(1,901)**	16,259
Net assets reported in the condensed consolidated interim financial statements	**1,182,335**	1,037,354

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

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

Geographical information

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

	Six months ended 30 June	
	2017 *RMB'000* **(Unaudited)**	2016 *RMB'000* (Unaudited)
Hunan Province	**272,280**	611,971
Guangdong Province	**17,655**	65,446
Beijing City	**—**	1,394
Others	**47,828**	109,407
	337,763	788,218

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 81% of the total revenue during the six months ended 30 June 2017 (six months ended 30 June 2016: 78%).

Information about major customers

No individual customers contributed over 10% of the total revenue of the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' emoluments	**1,776**	470
Other staff costs:		
Salaries and other benefits	**6,074**	12,961
Retirement schemes contributions	**1,369**	2,588
Equity-settled share-based payment	**6,666**	—
Total staff costs	**15,885**	16,019
Depreciation of property, plant and equipment	**23,993**	15,489
Amortisation of prepaid lease payments	**438**	422

6. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— current period	**2,613**	—

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises nor is derived from Hong Kong for the six months ended 30 June 2016.

PRC

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

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

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

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

7. DIVIDENDS

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

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2017 of approximately RMB2,323,000 (six months ended 30 June 2016: RMB54,654,000) and the weighted average number of 705,211,000 (six months ended 30 June 2016: 497,562,000) ordinary shares in issue during the reporting period.

For the six months ended 30 June 2016, 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 reporting period.

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong	**71,076**	25,855

Note: At 30 June 2017, the fair value of the listed equity securities, amounting to approximately RMB71,076,000 (31 December 2016: approximately RMB25,855,000), was determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

10. TRADE RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables	**148,505**	42,679

The fair values of trade receivables approximate their carrying amount.

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 30 days	**98,041**	21,084
31 days to 60 days	**50,114**	15,433
61 days to 80 days	**350**	—
Over 80 days	**—**	6,162
Total	**148,505**	42,679

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

The Group does not hold any collateral over these balances.

11. TRADE PAYABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables	**74,000**	11,043

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

	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
Within 30 days	**74,000**	11,043

12. BORROWINGS

	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
Secured bank borrowings	**42,000**	42,000
Unsecured other borrowings	**26,913**	114,493
	68,913	156,493

	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
On demand or within one year and shown under current liabilities	**68,913**	156,493

The carrying amount of the Group's borrowings are all originally denominated in RMB and HKD, which are the functional currencies of the Group.

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

	As at 30 June 2017 % (Unaudited)	As at 31 December 2016 % (Audited)
Fixed rate borrowings	**4.35–12.00**	4.35–14.00

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

In the first half of 2017, the Group faced challenging market situation. According to the market statistics, the price of pork products recorded a continuous double-digit decrease since the Chinese New Year. The decrease is mainly due to the supply exceeds demand, which is mainly resulted from: (1) the quantity of imported pork products maintained at a high level since 2016, while their unit price is generally lower than the local pork products; (2) in the past 2 years, the local breeding farmers were attracted by the continuous high price of pork products and thus increased the investment in breeding hogs, which resulted the over-supply of pork products; and (3) the continuous changing of dietary habits, in which more and more Chinese people would prefer to spend more in pork products with high quality, or other alternatives such as chicken or beef in order to maintain a healthy diet and fulfil their need of protein. As a result of the decrease in market price and also the decrease in slaughtering volume, during the six months ended 30 June 2017, the revenue of the Group was approximately RMB337.8 million, which was approximately 57.1% less than the same period of 2016.

In order to deal with the changing market environment, the Group has already taken a few actions. The new strategies of the Group included building up the brand targeting those mid-to-high end customers. The Group is fine-tuning the supply chain and reformulating the source of hogs such as actively eliminates certain old breeder hogs and sources other better species as replacement in order to enhance the quality of pork products. Furthermore, with the aim of enhancing the utilization efficiency and reduction of costs, in May 2017 the Group disposed a small breeding farm at a consideration of RMB14.5 million and figuring other ways to reduce the idle capacity. Such move may not only cutting-down the low efficiency assets, but will also provide funds to the Group as spare working capital. The slaughter industry is a cash-base industry and the Group may need to settle the cost of hogs within a short period of time, and thus the Group has the intension to maintain a higher level of working capital for dealing with the difficult market situation. The Group is also considering other ways to reduce fixed costs and increase the cost elasticity by means of restructuring the supply model.

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 borrowings which incur high interest rate; (ii) strengthen the capital base of the Group and give the qualifying shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company; and (iii) provide the Group with flexibility in identifying potential investment opportunities. The Rights Issue was completed in February 2017. The gross proceeds and the net proceeds of the Rights Issue were approximately HK$144.75 million and HK$140.53 million respectively. The Company intended to use (i) approximately HK$87.82 million (representing approximately 62.5% of the net proceeds from the Rights Issue) for repayment of the borrowings of the Group; and (ii) approximately HK$52.71 million (representing approximately 37.5% of the net proceeds from the Rights Issue) for general working capital of the Group and financing any future business opportunities as may be identified by the Company. Details of the Rights Issue are set out in the announcements of the Company dated 15 December 2016, 28 December 2016 and 1 February 2017 and the prospectus of the Company dated 9 January 2017.

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

During the six months ended 30 June 2017 (the "**Reporting Period**"), the actual use of proceeds of the Rights Issue is as follows:

<table>
<tr><th colspan="2">Net proceeds raised (Approximately)</th><th>Intended use of proceeds</th><th>Actual use of proceeds (Approximately)</th></tr>
<tr><td>HK$87.82 million</td><td></td><td>For repayment of the borrowings of the Group</td><td>Fully used as intended</td></tr>
<tr><td rowspan="6">HK$52.71 million</td><td>HK$8.67 million</td><td>For payment of finance cost</td><td>HK$2.90 million was used as intended

The remaining balance of fund raised HK$5.77 million is not yet due for payment, in order to utilize the idle cash and seek for short term return in accordance to the treasury policy as adopted by the Company, the Group used HK$4.91 million for acquiring listed securities</td></tr>
<tr><td>HK$3.24 million</td><td>For payment of legal and professional fee</td><td>HK$2.79 million was used as intended</td></tr>
<tr><td>HK$2.45 million</td><td>For payment of staff and related cost</td><td>HK$1.61 million was used as intended</td></tr>
<tr><td>HK$0.82 million</td><td>For payment of rental and office expenses</td><td>HK$0.32 million was used as intended</td></tr>
<tr><td>HK$2.40 million</td><td>For payment of other administrative expenses</td><td>HK$1.37 million was used as intended</td></tr>
<tr><td>HK$35.13 million</td><td>For future business opportunities</td><td>HK$0.15 million was used for setting up a licensed money lending company

In order to utilize the idle cash and seek for short term return in accordance to the treasury policy as adopted by the Company, the Group used HK$34.98 million for acquiring listed securities</td></tr>
</table>

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

Financial Review

For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB337.8 million, representing a decrease of approximately 57.1% as compared with the same period of last year. The reduction was mainly due to the decrease in the slaughtering volume as a result of keen competition from imported pork products and also the changing dietary habit, and also the lower unit price as compared with the same period of last year as a result of supplies over demands. Given the selling price of pork products is more elastic than the cost of hogs, this resulted that the average selling price of pork products decreased at a faster pace than the average cost of hogs. Also, the smaller slaughtering volume means the lower utilization rate, and hence each product may bear more fixed costs. As a result, the average gross profit margin of the Group decreased from approximately 10.2% in the first half of 2016 to approximately 5.0% in the current period.

The selling and distribution expenses of the Group for the six months ended 30 June 2017 decreased by approximately RMB4.9 million to approximately RMB9.7 million since the sales volume decreased during six months ended 30 June 2017.

For the six months ended 30 June 2017, the administrative expenses of the Group were approximately RMB23.7 million, while it was approximately RMB15.6 million during the same period in 2016. During this period, the Company granted Options to certain individuals, and thus an one-off equity-settled share-based payment expenses of approximately RMB7.6 million was recognized.

The Group's finance costs were approximately RMB4.3 million for the six months ended 30 June 2017, while it was approximately RMB8.1 million during the same period in 2016. The Company completed the issuance of new shares under right issue during the first half of this year, and applied certain proceeds to repay the borrowings of the Group and thus the finance costs were reduced.

The profit attributable to owners of the Company for the six months ended 30 June 2017 was approximately RMB2.3 million, while it was approximately RMB54.7 million in the same period of 2016. The reduction was mainly due to the decrease of slaughtering volume and selling price, losses resulted from the elimination of breeder hogs and also the recognition of an one-off equity-settled share-based payment expenses during this period.

Liquidity, Financial Resources and Funding and Treasury Policy

As at 30 June 2017, the Group had bank balances and cash of approximately RMB301.3 million (31 December 2016: RMB256.2 million). The Group also had net current assets of approximately RMB423.9 million as at 30 June 2017, while it was approximately RMB232.7 million as at 31 December 2016. The total non-current assets of the Group decreased by approximately RMB46.2 million from approximately RMB805.0 million as at 31 December 2016 to approximately RMB758.8 million as at 30 June 2017, which was mainly due to the disposal of a small breeding farm and also the elimination of breeder hogs during the Reporting Period.

As at 30 June 2017, the Group had several outstanding borrowings with an aggregate amount of approximately RMB68.9 million with fixed interest rates ranging from 4.35% to 12.00% per annum.

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

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2017, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Charge of Group Assets

As at 30 June 2017, the Group had pledged certain buildings, equipment and prepaid lease payments of approximately RMB151.6 million for certain bank borrowings.

Gearing Ratio

As at 30 June 2017, the Group's gearing ratio (being its total debts (which are the summation of borrowings) divided by its total equity and multiplied by 100%) decreased to approximately 5.8% (31 December 2016: 15.1%).

Foreign Exchange Exposure

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

Capital Commitments and Contingent Liabilities

As at 30 June 2017, the Directors were not aware of any material capital commitments and contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2017, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, there was no other significant investments during the Reporting Period.

SUBSEQUENT EVENTS

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

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

Save as disclosed above, no other subsequent event has occurred after 30 June 2017 which may have a significant effect on the assets and liabilities or future operations of the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group employed 385 staff members in Hong Kong and the PRC (31 December 2016: 436). The Group remunerates its employees based on their performance and experience, and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program.

The Company has adopted a share option scheme on 11 February 2014 which enables it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions to the Group.

CAPITAL STRUCTURE

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

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

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

As at the date of this announcement, there are a total of 868,470,000 of issued shares of the Company.

Save as disclosed above, there was no other changes in the capital structure of the Company during the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

COMPETING INTEREST

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

DIRECTORS' INTERESTS IN CONTRACTS

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

OUTLOOK AND FUTURE PROSPECTS

Since the late of 2016, the price of pork products entered into the downward cycle and it is expected that it may last for a period of time. The Group will get prepared during this period by means of restructuring the existing facilities to a more efficient and updated settings, and also seek for opportunities to develop a brand of higher quality pork products to cope with the need of mid-to-high end customers. The Group will also source other larger farms with better effectiveness in order to increase the proportion of self-breeding hogs.

In the meantime of seeking potential business opportunities, the Board also regards maintaining the existing resources of the Company as an essential issue. The Group will also make use of its resources in an effective and efficient manner so as to maximise benefits to the Group. The Board and the management of the Company will keep pace with the market condition and refine the business direction of the Company accordingly, and we will closely monitor and review the performance of the businesses of the Company and make suitable fine tuning as appropriate. Meanwhile, the Board will continue to try their best to seek for any good opportunities for new business investment or development. The Board is confident that the Company will blossom and bear the fruits of better financial performance for the efforts we have made in the future years.

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 had complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provision(s)**") and certain recommended best practices contained in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve the Company's standards of corporate governance practices.

The Company had complied with the Code Provisions during the six months ended 30 June 2017, except for the following:

Code Provision E.1.2

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

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

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in the Company's annual report dated 31 March 2017.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee (the "**Audit Committee**") of the Company is primarily responsible for, among other things, reviewing the Group's financial controls, risk management and internal control systems and monitoring the integrity of its financial statements and financial reports. The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun, Alan, Mr. Deng Jinping and Mr. Liao Xiujian, with Mr. Wong Yuk Lun, Alan as its chairman.

The Audit Committee has reviewed with the management the financial and accounting policies and practices adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management.

CHANGE IN INFORMATION OF DIRECTORS

During the six months ended 30 June 2017, there was no changes in the information of Directors.

Subsequently, on 6 July 2017, Mr. Ma Yiu Ho, Peter has resigned as an independent non-executive Director and has ceased to be the chairman of the Audit Committee and a member of the Remuneration Committee and Mr. Wong Yuk Lun, Alan has been appointed as an independent non-executive Director, chairman of the Audit Committee and a member each of the remuneration committee and the nomination committee of the Company.

Mr. Wong King Shiu, Daniel, the independent non-executive Director has been appointed as an executive director of China Information Technology Development Limited (Stock Code: 8178) on 16 August 2017.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hsihl.com. The Company's interim report for the six months ended 30 June 2017 will be available at the same websites and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 31 August 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. Wong Yuk Lun, Alan, Mr. Deng Jinping, Mr. Liao Xiujian and Mr. Wong King Shiu, Daniel as independent non-executive Directors.