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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Huisheng International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated annual results (the "**Unaudited Annual Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with the comparative amounts for the corresponding year in 2018. The Unaudited Annual Results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as below. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000*** ***(unaudited)***	2018 *RMB'000* *(audited)*
Revenue	5	**5,655**	382,016
Cost of sales		**(5,570)**	(389,254)
Gross profit/(loss)		**85**	(7,238)
Other income	5	**27,405**	16,539
Other gain or loss, net		**1,171**	(57,684)
Gain arising from change in fair value of investment properties		**—**	2,110
Loss arising in change in fair value of financial assets at fair value through profit or loss		**(5,759)**	(18,715)
Impairment loss of property, plant and equipment		**—**	(207,640)
Allowance for expected credit losses		**—**	(802)
Selling and distribution expenses		**—**	(6,310)
Administrative expenses		**(22,092)**	(58,328)

	Notes	**2019** **RMB'000** ***(unaudited)***	2018 *RMB'000* *(audited)*
Finance costs		**(1,337)**	(8,346)
Loss before taxation		**(527)**	(346,414)
Taxation	*7*	**—**	3,449
Loss for the year		**(527)**	(342,965)
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**6,153**	3,469
Items that were reclassified to profit or loss:			
Reclassification adjustment of exchange difference upon disposal of subsidiaries		**1,002**	—
Other comprehensive income for the year, net of income tax		**7,155**	3,469
Total comprehensive income/(loss) for the year		**6,628**	(339,496)
Loss for the year attributable to:			
Owners of the Company		**(474)**	(342,953)
Non-controlling interests		**(53)**	(12)
		(527)	(342,965)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**6,681**	(339,484)
Non-controlling interests		**(53)**	(12)
		6,628	(339,496)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	*9*	**(0.05)**	(39.30)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 *RMB'000* *(unaudited)*	2018 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**252,191**	261,733
Right-of-use assets		**17,965**	—
Prepaid lease payments		**—**	16,397
Deposits and prepayments for property, plant and equipment		**116,238**	116,238
Deposits and prepayments for biological assets		**120,000**	120,000
Loan receivables		**259,735**	259,735
Investment properties		**—**	17,121
Financial assets at fair value through other comprehensive income		**1,500**	1,500
		767,629	792,724
Current assets			
Financial assets at fair value through profit or loss		**12,760**	35,124
Prepaid lease payments		**—**	455
Trade receivables	*10*	**5,669**	5,669
Prepayments, deposits and other receivables		**98,030**	52,508
Tax recoverable		**—**	12
Bank balances and cash		**3,525**	8,168
		119,984	101,936

	Notes	2019 *RMB'000* *(unaudited)*	2018 *RMB'000* *(audited)*
Current liabilities			
Accruals and other payables		**35,347**	36,911
Borrowings		**—**	22,690
Lease liabilities		**494**	—
Deferred revenue		**25**	25
		35,866	59,626
Net current assets		**84,118**	42,310
Total assets less current liabilities		**851,747**	835,034
Non-current liabilities			
Deferred revenue		**277**	302
Lease liabilities		**1,125**	—
Note payable		**8,985**	—
		10,387	302
Net assets		**841,360**	834,732
Equity			
Share capital		**7,308**	7,308
Reserves		**830,638**	823,957
Equity attributable to owners of the Company		**837,946**	831,265
Non-controlling interests		**3,414**	3,467
Total equity		**841,360**	834,732

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Huisheng International Holdings Limited (the "**Company**") is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands, whose registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the production and sale of pork products in the People's Republic of China (the "**PRC**"), selling and distributing of pipe system products together with value-added services to customers in the provision of technical advisory services on the design, application, implementation and installation.

The unaudited consolidated financial statements are presented in Renminbi ("**RMB**"). The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors of the Company considered that it is more appropriate to present the unaudited consolidated financial statements in RMB as the functional currency of the most principal operating subsidiaries of the Group is RMB. The unaudited consolidated financial statements are presented in thousands ("**RMB'000**"), unless otherwise stated.

2. STATEMENT OF COMPLIANCE

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value or revalued amounts at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability of market participants. Fair value for measurement and/or disclosure purposes in the unaudited consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

4. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to 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 these unaudited consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's unaudited consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months from the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iv) used hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowings rates applied by the relevant group entities range from 4.38% to 5.00%.

	RMB'000
Operating lease commitment at 31 December 2018	658
Less: total future interest expenses	(111)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	547
Analysis as:	
Non-current	395
Current	152
	547

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	547
Add: reclassification from prepaid lease payments in non-current portion	16,397
Add: reclassification from prepaid lease payment in current portion	455
	17,399

	Right-of-use assets *RMB'000*
By class:	
Leasehold lands	16,852
Buildings	547
	17,399

Notes:

Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB455,000 and RMB16,397,000 respectively were reclassified to right-of-use assets.

New and amendments to HKFRSs that have been issued but not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the unaudited consolidated financial statements in the foreseeable future.

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Revenue from contracts with customers		
Sale of pork products	**—**	378,874
Pipe system products	**5,655**	—
Others	**—**	3,142
	5,655	382,016

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Other income		
Interest income on:		
Bank deposits	**20**	1,120
Loan receivables	**25,909**	13,385
Amortisation of deferred revenue	**25**	25
Total interest income	**25,954**	14,530
Government grants *(note)*	**—**	1,371
Sundry income	**1,451**	638
	27,405	16,539

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 Group is principally engaged in slaughtering and trading of pork products, and pipe system products.

The two reportable segments of the Group under HKFRS 8 are as follows:

(a) Slaughtering and trading of pork products — slaughtering and trading of pork products

(b) Pipe system products — Selling and distributing of pipe system products together with value-added services to customers in the provision of technical advisory services on the design, application, implementation and installation

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Slaughtering and trading of pork products *RMB'000*	**Pipe system products** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2019 (unaudited)			
Segment revenue	—	5,655	5,655
Segment results	(11,616)	(176)	(11,792)
Other gain or loss, net			1,171
Loss arising in change in fair value of financial assets at fair value through profit or loss			(5,759)
Unallocated corporate income			25,911
Unallocated corporate expenses			(8,721)
Finance costs			(1,337)
Loss before taxation			(527)

	Slaughtering and trading of pork products *RMB'000*	Pipe system products *RMB'000*	Total *RMB'000*
Year ended 31 December 2018 (audited)			
Segment revenue	382,016	—	382,016
Segment results	(61,004)	—	(61,004)
Other gain or loss, net			(57,684)
Gain arising from change in fair value of investment properties			2,110
Loss arising in change in fair value of financial assets at fair value through profit or loss			(18,715)
Impairment loss of property, plant and equipment			(207,640)
Allowance for expected credit losses			(802)
Unallocated corporate income			13,906
Unallocated corporate expenses			(8,239)
Finance costs			(8,346)
Loss before taxation			(346,414)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated corporate income, other net gain or loss, gain arising from change in fair value of investment properties, loss arising in change in fair value of financial assets at fair value through profit or loss, impairment loss of property, plant and equipment, allowance for expected credit losses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Information about geographical areas

During the year, the Group was mainly operating in the PRC and Japan (2018: the PRC). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Revenue		
— The PRC	**—**	382,016
— Japan	**5,655**	—
	5,655	382,016

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

The Group's geographical concentration risk is mainly in Japan, which accounted for 100% of the total revenue during the year ended 31 December 2019 (2018: 100% in the PRC).

Information about major customers

For the year ended 31 December 2019, revenue generated from one (2018: one) customer of the Group which has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2019 (2018: none).

Revenue from major customer, which contribute to 10% or more of the Group's revenue is set out below:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Customer A *(note)*	**—**	52,047
Customer B *(note)*	**5,655**	—

Note: The revenue contributed by Customer A during the year ended 31 December 2019 and Customer B during the year ended 31 December 2018 was less than 10% of the Group's revenue.

7. TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Current tax – Hong Kong		
Charge for the year	**—**	—
Over-provision in prior years	**—**	(3,449)
Income tax credit	**—**	(3,449)

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% (2018: 8.25%), and profits above HK$2 million will be taxed at 16.5% (2018: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will be continue to be taxed at a flat rate of 16.5%.

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 (國家税務總局) on 20 November 2008. Hunan Huisheng Meat Products Company Limited ("**Hunan Huisheng**") (湖南惠生肉業有限公司) meets the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2018 and 2019.

According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from the PRC EIT, and no deferred taxation impact was considered for each of the reporting periods.

Other Jurisdictions

Taxation of overseas subsidiaries (other than Hong Kong and the PRC) are calculated at the applicable rates prevailing in the jurisdictions in which the subsidiary operates.

8. DIVIDEND

The Board does not recommend the payment of final dividend for the years ended 31 December 2019 and 2018.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(474)**	(342,953)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**880,838**	872,726

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB474,000 (2018: RMB342,953,000) and the weighted average number of 880,838,000 (2018: 872,726,000) ordinary shares in issue during the year ended 31 December 2019.

Basic and diluted loss per share for the years ended 31 December 2019 and 2018 were the same because exercise of share options would decrease the loss per share for the years ended 31 December 2019 and 2018 and, therefore, be anti-dilutive.

10. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**5,743**	5,743
Less: Allowance for expected credit loss	**(74)**	(74)
	5,669	5,669

The Group offered credit period on sale of pork products of within 80 days. The aging analysis of trade receivables, net of allowances for credit loss, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 30 days	**—**	—
31 days to 60 days	**—**	—
61 days to 80 days	**—**	5,669
Over 81 days	**5,669**	—
Total	**5,669**	5,669

11. COMPARATIVES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in annual report.

In addition, certain comparative figures have been reclassified to be consistent with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group is engaged in the production and sale of pork products as well as hog breeding and hog farming in Changde, Hunan Province, the People's Republic of China (the "**PRC**"). Moreover, the Group is also engaged in selling and distributing of pipe system products together with value-added services to customers in the provision of technical advisory services on the design, application, implementation and installation during the late of 2019.

The Group has never experienced in the year with such a difficult market condition and a catastrophic environment. From 24 October 2018, our PRC subsidiaries which operate the production and sale of pork products were affected by the African Swine Fever ("**ASF**") and had received the quarantine order from the Agriculture Committee of Changde City* which ordered to kill all hogs and suspend our operations in Hunan Province. Following on the suspension, during the year 2019 and as at the date hereof, the whole operations are still in suspension.

Although, the epidemic of ASF has been stablised and merely a few cases of infection in the PRC were discovered for the past few months, however, the outbreak of ASF is still seriously in effect to the other countries. The increase in market price and lower the daily supply of live hogs and pork products which affected the customers' demand. As a result, no revenue was recorded in our business segment of the production and sale of pork products for the year ended 31 December 2019.

To make things worse, the novel coronavirus ("**COVID-19**") epidemic (the "**Coronavirus**") erupted in mid of January 2020, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Coronavirus, including imposing restriction on the mobility of citizen and the resumption date of production after the Chinese New Year Holidays. Due to the suspension or limited service of transportation facilities in various cities in the PRC to prevent the spread of the Coronavirus, certain workers in the affected provinces and municipalities are unable to resume work. Therefore, the Group expects that there will be a further delay on the resumption of our business segment in the production and sale of pork products.

* *For identification purposes only*

Despite of the suspension, the management had taken a few moves in order to improve of our current financial position and performance, during the late of 2019, we commenced a new business in selling and distributing of pipe system products together with our value-added services to customers in the provision of technical advisory services on the design, application, implementation and installation (the "**New Business**"). Such New Business had recorded a revenue of approximately RMB5.7 million during the year ended 31 December 2019. The Group not only had a good start of the New Business but also was granted the distribution right for the sale of pipe system products in Japan and Singapore in March 2020. The management will actively take cautious approach in assessing and monitoring the performance of the New Business and expects that the New Business would enhance our new income source in the future. In fact, such can diversify our business risk and minimise the risk when challenging by another outbreak. This would also strengthen our new income stream as well as to maximise the shareholder's value as a whole. The management will continuously seek any potential investment/business opportunities, including but not limited to slaughterhouse and/or breeding farms, which would be in order to further diversify of our business risks.

During the year, the Company disposed of its entire equity interest in a wholly-owned subsidiary, Simple Rise Inc. ("**Simple Rise**"). Simple Rise and its wholly owned subsidiary own investment properties for renting purposes (the "**Disposal**"). The consideration for such Disposal was HK$19.5 million (equivalent to approximately RMB17.5 million) and recognised a disposal gain of approximately RMB1.2 million during the year ended 31 December 2019. Details of the Disposal was set out in the Company's announcement dated 11 March 2019 and 6 August 2019.

In December 2016, the Company conducted a fundraising activity for raising of approximately HK$144.75 million, before expenses, by way of the issuance of 289,490,000 rights shares at a subscription price of HK$0.50 per rights share (the "**Rights Issue**"). The Rights Issue was completed in February 2017. The gross proceeds and the net proceeds of the Right Issue were approximately HK$144.75 million and HK$140.53 million respectively. 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.

During the year ended 31 December 2019, the intended use of proceeds of the Rights Issue was fully utilised and the details are as follows:

Net proceeds raised (Approximately)		**Intended use of proceeds**	**Actual use of proceeds (Approximately)**
HK$87.82 million		For repayment of the borrowings of the Group	Fully used as intended
HK$52.71 million	HK$8.67 million	For payment of finance cost	Fully used as intended
	HK$3.24 million	For payment of legal and professional fee	Fully used as intended
	HK$2.45 million	For payment of staff and related cost	Fully used as intended
	HK$0.82 million	For payment of rental and office expenses	Fully used as intended
	HK$2.40 million	For payment of other administrative expenses	Fully used as intended
	HK$35.13 million	For future business opportunities	Fully used as intended

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB5.7 million, representing a decrease of approximately 98.5% as compared with the same period of last year. The reduction was mainly due to the outbreak of ASF in the PRC, which affected the operations in the production and sale of pork products was still suspending and no revenue generated during the year. However, revenue from the New Business contributed to the Group of approximately RMB5.7 million during the year with an average gross profit margin of the Group of approximately 1.5%, while it was an average gross loss margin of approximately 1.9% in 2018.

The selling and distribution expenses of the Group for the year ended 31 December 2019 decreased from approximately RMB6.3 million to approximately RMBnil which was mainly due to the suspension of the operations in the production and sale of pork products during the year.

For the year ended 31 December 2019, the administrative expenses of the Group were approximately RMB22.1 million, while it was approximately RMB58.3 million in 2018. Such reduction was in line with the suspension of the operations in the production and sale of pork products.

The Group's finance costs were approximately RMB1.3 million in 2019, while it was approximately RMB8.3 million in 2018.

Based on the unaudited annual results as stated in this announcement, the loss attributable to owners of the Company in 2019 was approximately RMB0.5 million, while it was a loss of approximately RMB343.0 million in 2018. The reduction of loss was mainly due to (i) a decrease in impairment loss of property, plant and equipment of approximately RMB207.6 million; (ii) a decrease in net loss arising in change in fair value of financial assets at FVPL of approximately RMB13.0 million; and (iii) a decrease in write-off of inventories and biological assets of approximately RMB32.5 million and RMB33.3 million respectively, during the year ended 31 December 2019.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2019 amounting to approximately RMB3.5 million (2018: approximately RMB8.2 million). The Group's current ratio as at 31 December 2019 was 3.3 (2018: 1.7). The total equity of the Group amounted to approximately RMB841.4 million (2018: approximately RMB834.7 million) as at 31 December 2019.

As at 31 December 2019, the Group had an outstanding borrowing with an amount of approximately RMBnil (2018: RMB22.7 million).

The Group intends to finance its operations and investment with its operating revenue, internal resources and bank facilities. The directors of the Company 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 2019. 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 2019, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2019 (2018: nil).

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was approximately 1.1% (2018: approximately 2.7%).

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 of the Company 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 2019, the directors of the Company 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

Save as disclosed above, for the year ended 31 December 2019, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

During the year, there was no other significant investment during the year.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 42 staff and workers in Hong Kong and the PRC (2018: 245). 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

As at 31 December 2019, the capital structure of the Company comprised of its issued share capital and reserves.

As at 31 December 2019 and the date of this announcement, there are a total of 880,838,000 issued shares of the Company.

OUTLOOK

Looking forward, we are expecting 2020 will continue to be a challenging year. The adverse impact on the Coronavirus epidemic remains uncertain and makes it difficult to gauge on the industry recovery pace.

We will continuously adopt a cautious approach for exploring any potential investment/business opportunities to enhance our income source and further diversify of our business risks. Meanwhile, the management is closely monitoring the market situation and continuously evaluating the impact of the Coronavirus epidemic to the Group's operations, and will make adjustments to the Group's business plan and operations, if necessary, so as to minimise any impact on the Group. Once materialised, we will keep our update developments to our shareholders as and when appropriate.

EVENTS AFTER THE YEAR END DATE

(1) With effect from 17 February 2020, Dr. Liu Ta-pei has resigned as an executive director of the Company. Details of his resignation are set out in the Company's announcement dated 17 February 2020.

(2) Following to our New Business commenced during the late of 2019, in March 2020, a German company, as the licensor whose specializes in manufacturing, marketing and selling of flexible walled pipe systems, granted to an indirect non-wholly owned subsidiary of the Company, as the licensee (the "**Operating Company**") a distribution right whereas the Operating Company has the right on the selling and distributing the pipe system products in Japan and Singapore. The powerful advantages of such walled pipe system are because of its interior pipe is made from corrugated stainless steel with an outer corrosion protection for use in industry application, constructions and internet & data infrastructure.

(3) Since January 2020, the outbreak on Coronavirus has impacted the global business environment. Up to the date of these financial statements, Coronavirus has not resulted in material impact to the Group. Pending the development and spread of Coronavirus subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of Coronavirus and react actively to its impact on the financial position and operating results of the Group.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2019 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

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.

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 2019.

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 as contained in Appendix 14 to the Listing Rules as the code of the Company. The Company had complied with the Code Provisions during the year ended 31 December 2019 except for the following:

Code Provision A.6.7

Code Provision A.6.7 stipulates that the independent non-executive Directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

There are three independent non-executive directors of the Company, Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan. Mr. Chan Hin Hang, and Mr. Wong King Shiu, Daniel are unable to attend annual general meeting on 28 June 2019 due to their engagement with their other commitments.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

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

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. As such, the auditors of the Group were unable to visit the workplaces to carry out on-site audit works in accordance with the original plan and schedule because of the suspending or limiting services of transportation facilities in certain area of PRC. The unaudited results contained herein have been reviewed by the Audit Committee of the Company, but have not been agreed by the Company's auditors.

Due to the outbreak of Coronavirus since January 2020, the Company is unable to arrange for any site visit to our operation in China with professional parties in Hong Kong. Based on the preliminary unaudited management accounts currently available to the Board, the management is aware that there is an indication for an impairment of property, plant and equipment due to the suspension of the operations in the production and sale of pork products. In respect to the absence for site visit to our PRC subsidiaries by the both management and Company's auditors, we cannot rule out the possibility that the impairment assessments conducted by the Company's management over the fair value and expected credit losses of accounting items set out in this announcement which may be adjusted after taking the advice of professional parties during the course of the audit process. The adjustment of impairment assessment, if any, may or may not have material impact on the Group's financial performance and positions for the year ended 31 December 2019.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to: (i) the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date of the forthcoming annual general meeting of the Company (the "**2020 AGM**"); and (iii) the book closure period for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2020 AGM. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The audited 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 2019 will be despatched to the shareholders of the Company and published on the Company's and the Stock Exchange's websites in due course.

The unaudited financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises Mr. Chan Chi Ching and Mr. Suen Man Fung as executive Directors; and Mr. Chan Hin Hang, Mr. Wong Yuk Lun, Alan, and Mr. Wong King Shiu, Daniel as independent non-executive Directors.