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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)**

**(1) SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE ANNUAL REPORT  
AND ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021  
AND  
(2) DISCLOSEABLE AND MAJOR TRANSACTIONS:  
PROVISION OF FINANCIAL ASSISTANCE**

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL  
REPORT AND ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR  
ENDED 31 DECEMBER 2021**

In addition to the information provided in the 2021 Annual Results Announcement and the 2021 Annual Report, the Board wishes to provide further information in relation to the money lending business of the Group by way of this announcement.

**DISCLOSEABLE AND MAJOR TRANSACTIONS: PROVISION OF  
FINANCIAL ASSISTANCE**

During the period from 3 June 2018 to 27 August 2020, Huisheng Enterprise (HK) and Linli Huisheng, each of them being an indirect wholly-owned subsidiary of the Company, had, respectively, entered into several loan agreements with several borrowers involving the provision of financial assistance.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the financial assistance granted to Individual B, Individual C and Individual F exceeded 5% but were less than 25%, the financial assistance granted to Individual B, Individual C and Individual F constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore would have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the financial assistance granted under the loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3, were equal to or more than 25%, the financial assistance granted under the loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3 constituted major transactions for the Company under Chapter 14 of the Listing Rules and therefore would have been subject to notification, publication and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement, each of Individual B, Individual C, Individual F, Individual 1, Individual 2, Individual 3, Corporate 1, Corporate 2 and Corporate 3 and their ultimate beneficial owner(s) is and was an Independent Third Party.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3.

The circular containing, among others, (i) details of the financial assistance granted under loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 15 December 2022 as additional time is required to prepare and finalise the information to be included in the circular.

## **(1) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT AND ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

References are made to the annual results announcement (the “**2021 Annual Results Announcement**”) and the annual report (the “**2021 Annual Report**”) of the Company for the year ended 31 December 2021 on 6 May 2022 and 12 May 2022 respectively. Capitalised terms used in this announcement shall have the same meanings as those defined in the 2021 Annual Report, unless the context requires otherwise.

In addition to the information provided in the 2021 Annual Results Announcement and the 2021 Annual Report, the Board wishes to provide further information in relation to the money lending business of the Group as follows.

### **Money lending business**

The money lending business was carried out by a wholly-owned subsidiary of the Company holding a valid money lender’s license granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). The money lending business targeted both corporate and individual clients.

As at 31 December 2021, the Group had loan receivables of approximately RMB251.3 million (2020: approximately RMB322.5 million) net of allowances for expected credit losses of approximately RMB2.9 million (2020: approximately RMB4.3 million). The Group recorded interest income from loan receivables of approximately RMB1.1 million for the year ended 31 December 2021 (2020: approximately RMB15.0 million).

As at 31 December 2021, there were a total of 9 outstanding loans, and the details of the outstanding loans are illustrated as follows:–

*Table 1*

Borrowers	Loan agreement date	Principal loan amount (RMB'000)	Outstanding Balance as at 31 December 2021 (RMB'000)	Interest Rate (p.a.)	Loan Period (Initial terms and subsequent extensions)	Guarantee/ Collateral	Maturity Date
Individual A	May 2019	256	243	24%	3+3+12+2+12+6 months	N/A	02/07/2022 (Note 1)
Individual B	Jul 2019	4,425	2,432	12%	12+6+6+12+12 months	N/A	04/07/2023
Individual C	Jul 2019	4,425	568	12%	12+12+12+12 months	N/A	04/07/2023
Individual D	May 2019	439	95	10%	18+12+8 months	N/A	Settled (Note 2)
Individual E	Aug 2020	1,327	405	12%	12+12+12 months	N/A	27/08/2023
Individual F	Jun 2020	5,455	1,703	12%	3+12+12 months	N/A	Settled (Note 2)
Corporate 1	Oct 2020	59,983	46,867	Waived (Note 3a)	5 years	N/A	Settled (Notes 3a and 3c)
Corporate 2	Oct 2020	125,421	97,968	Waived (Note 3a)	5 years	N/A	Settled (Notes 3a and 3c)
Corporate 3	Oct 2020	125,421	98,447	Waived (Note 3b)	5 years	N/A	31/12/2022 (Notes 3b and 3c)
<b>Total</b>			<b>248,458</b>				

*Notes:*

- 1 The loan balances of approximately RMB243,000 for Individual A was due and unpaid as at the date of this announcement. The Group has served overdue notice to Individual A and requested the immediate repayment of such overdue balances. Further actions, including but not limited to, legal action(s) in accordance with the Company's internal control procedures to claim against Individual A in relation to the total overdue balances will be taken as and when appropriate.
- 2 Subsequent to the year ended 31 December 2021 and up to the date of this announcement, the outstanding balances due from Individual D and Individual F had been fully settled.
- 3(a) For Corporate 1 and Corporate 2, the total sum of outstanding loan balances with interest were extended to a 5-year term with interest charge waived. Each instalment shall be payable on a half-yearly basis and shall not be less than RMB6 million and RMB13 million respectively, until the end of the term (i.e. until 30 September 2025). As at the date of this announcement, the outstanding loan balances for Corporate 1 and Corporate 2 had been fully settled.

- 3(b) For Corporate 3, each instalment shall be payable on a half-yearly basis and shall not be less than RMB13 million, until the end of the term (i.e. until 30 September 2025). After further negotiation, Corporate 3 agreed to settle all the remaining loan balance by the end of year 2022. Up to the date of this announcement, approximately RMB88.42 million of the outstanding loan balance was settled.
- 3(c) During 2020, the Group's hog business has been preliminarily resumed in a small-scale operation at the beginning stage. The Group considered seriously the fact that, a requisition for an early repayment from loan receivables was the best solution which can lead the Group to maintain a certain level of cash balances for the utilisation of hog business resumption and can also meet the Group's any future funding needs.

Having reviewed the portfolios of Individual 1, Individual 2 and Individual 3 one year after their respective drawdown dates, it came to the Group's attention that there was a default in each of the repayments of the loan interest for the first year, leading to possible risk of default and recoverability. As such, the Group acted in a cautious manner for the avoidance of any risks of impairment. The Company (i) requested each of Individual 1, Individual 2 and Individual 3 to provide extra collaterals and/or guarantees as further security for the due performance of their obligations and duties under the loans respectively; or (ii) assigned their debts to other borrower(s) with sufficient financial resources. The Group was of the view that it was necessary to re-negotiate with Individual 1, Individual 2 and Individual 3 on the terms of the relevant loans and also to expedite the repayment date, and therefore proposed the waiver (the "**Waiver**") of the interest since the loan restructuring date till the maturity date as an incentive to advance the respective repayment dates.

The Company understands that the Waiver may reduce the interest income and benefits of the Company and the Shareholders as a whole. However, the Company believes that earlier repayment(s) (including loan principals and accrued interest (up to the date of waiver)) from the corporate borrowers would be more favorable to the Company and would enhance the Company's financial position during the material time.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, all borrowers and their respective ultimate beneficial owner(s) (if applicable), of the outstanding loans are Independent Third Parties and not connected with the Group. As at 31 December 2021, the principal amount outstanding from the five largest borrowers of the Group together amounted to approximately RMB247.4 million (representing approximately 99.6% of the total loans receivable of the Group) while the principal amount outstanding from the largest borrower amounted to approximately RMB98.4 million (representing approximately 39.6% of the total loans receivable of the Group).

The Group did not grant new loans during the year ended 31 December 2021 as the management has been prudent in light of the prevailing economic conditions, both locally and around the world.

### **Methodology and basis adopted in determining the impairment loss**

The Group performs impairment assessment on loan receivables under the expected credit losses (“ECL”) model prepared by independent valuer and the same is reviewed by the Directors and the auditors of the Company regularly at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition.

As mentioned in note 5(b) to the financial statements of the 2021 Annual Report, at the year end date, the balance of the loss allowance for loan receivables was reduced by approximately 32.6% to approximately RMB2.9 million (2020: approximately RMB4.3 million), of which a sum of approximately RMB0.3 million was impairment loss recognised for the current year, a sum of approximately RMB1.8 million was reversal of impairment allowance resulting from settlement of loans and improvement in credit quality of the borrowers.

For loan receivables and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for ECL by engaging an independent valuer to assess the credit risk characteristics of debtor, discount rate and the likelihood of recovery and the prevailing economic conditions.

The Group manages and analyses the credit risk for each of its new and existing customers before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality individually based on the customer's financial position, past experience and other factors. Individual risk limits are set based on the internal or external ratings in accordance with limits set by the Directors. The utilisation of credit limits is regularly monitored.

The Group reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group uses three categories for those receivables to reflect their credit risks and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

<b>Category</b>	<b>Company definition of category</b>	<b>Basis for recognition of loss allowance</b>
Performing	Receivables whose credit risk is in line with original expectations	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its Lifetime ECL (stage 1)
Under-performing	Receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL (stage 2)

<b>Category</b>	<b>Company definition of category</b>	<b>Basis for recognition of loss allowance</b>
Non-performing (credit-impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime ECL (stage 3)
Write-off	Interest and/or principal repayments are 1 year past due and there is no reasonable expectation of recovery	Amount is written off

### **Credit risk assessment policy**

The Group has adopted and followed a series of strict credit risk assessment procedures to regulate the money lending business operation to ensure a comprehensive risk management so as to safeguard the Group's and, most importantly, the Shareholders' interest. The procedures covered every aspect of a lending process including (i) information verification, (ii) credit assessment, (iii) execution of loan documentations, (iv) continuous loan monitoring, and (v) collection, recovery and enforcement.

Before granting loans to potential clients, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits to be granted to the borrowers. The credit assessment process encompasses detailed assessment, including but not limited to, the background of the borrowers, the necessity in obtaining collaterals and determination of suitable interest rate to reflect the risk level of the provision of loan. The credit limit of loans successfully granted to the borrowers will be subject to regular credit review by the management as part of the ongoing loan monitoring process.



## **Internal control procedures**

The following is a summary of the key internal controls of the Group's money lending business:

**Information Verification** Information provided by the loan applicant including financial statements and income proof will be checked and verified by the loan officer. Where appropriate, legal, credit and bankruptcy search on the loan applicant, and land search and site visit on the property offered as collateral, will be conducted.

**Credit Assessment** Detailed assessment on the background of the loan applicant, as well as the value and characteristics of the collateral to be pledged, will be conducted. There will be credit assessment, including but not limited to, analysis on the repayment ability and background of the loan applicant, and analysis on the potential recovery upon realisation of the collateral. The credit assessment process will be conducted by the loan officer and reviewed by the respective board of directors of the Group's money-lending subsidiary.

**Execution of Loan Documentations** If a loan application is approved by the board of directors of the Group's money-lending subsidiary, the loan officer will arrange preparation and proper execution of the loan documentations.

**Continuous Loan Monitoring** There will be continuous monitoring on the repayments from borrower, regular communication with the borrower, and regular review on credit limit of the loan granted and market value of the collateral pledged performed by the loan officer.

**Collection, Recovery  
and Enforcement**

Reminder and legal demand letter will be issued to the borrower if there is overdue repayment. Supplementary loan agreement regarding extension of loans will be signed after assessing the repayment history of the borrower. Where appropriate, legal action will be initiated against the borrower for the recovery of the amount due and taking possession of the collateral pledged.

The Group will be able to keep track of the latest credit profile and risk associated with each borrower and could take appropriate actions for recovery of the amount due at the earliest time.

The procedures further provide the guidelines for dealing with loan and interest repayment of default for both corporate and individual loans. Generally, the loan officer shall first remind the borrower prior to the due date of the loan. Should the borrower fail to repay the loan and interest promptly, the loan officer would follow the manuals which set out the loan collection procedures to monitor the recoverability of the loan on an ongoing basis.

In general, (i) one month after the due date, the Group shall contact the borrower on a weekly basis via telephone and/or email stating that the borrower should repay the outstanding amount as soon as possible; (ii) three months after the due date, the Group shall serve an overdue notice to the borrower stating that the borrower should repay the outstanding amount within fourteen days; (iii) six months after the due date, the Group shall request an external lawyer to issue a legal letter to the borrower explaining the legal proceedings to process the relevant legal actions in respect of the collateral for secured loan or petition bankruptcy for non-secured loan; (iv) nine months after the due date, the Group shall take legal action in respect of the collateral for secured loan or petition bankruptcy for unsecured loan. The respective board of directors of the Group's money-lending subsidiary shall report to the Board, considering whether to engage external legal loan collection agents or dispose of the loans to independent third party(ies) on normal commercial terms.

The management is of the view that the above-mentioned policy and procedures are common and widely used in the market and such approach in measuring the ECL on loan and interest receivable is consistent with practice adopted by Group since the financial year ended 31 December 2021. The Board considers such policy and procedures applied are fair and reasonable.

### **Subsequent settlement on loan receivables**

The Directors had performed all necessary measures to recover the outstanding loans, including but not limited to (i) concluding settlement plans with debtors; (ii) issuing demand letters; and (iii) taking legal proceedings. Subsequent to the year ended 31 December 2021 and as at the date of this announcement, approximately RMB236.6 million of the loan receivables, representing approximately 94.2% of loan receivables as at 31 December 2021, has been recovered.

## **(2) DISCLOSEABLE AND MAJOR TRANSACTIONS: PROVISION OF FINANCIAL ASSISTANCE**

The Board announces that during the period from 3 June 2018 to 27 August 2020, Huisheng Enterprise (HK) and Linli Huisheng, each of them being an indirect wholly-owned subsidiary of the Company, had, respectively, entered into several loan agreements with several borrowers (as illustrated in Table 1 above) involving the provision of financial assistance, pursuant to which the loan agreements in relation to Individual B, Individual C, Individual F, Individual 1, Individual 2, Individual 3, Corporate 1, Corporate 2 and Corporate 3 would have constituted notifiable transactions of the Company under Chapter 14 of the Listing Rules. The principal key terms of each of which were as follows:–

### **INDIVIDUAL B**

Date of the Agreement: 4 July 2019

Parties: Lender: Huisheng Enterprise (HK)

Borrower: Individual B

Loan amount: HK\$5 million (Initial loan principal)

HK\$3 million (after repayment of HK\$2 million before 24 May 2021)

Interest rate (p.a.): 12%

Term: 12 months commencing from the drawdown date, and the term has been further extended on 4 July 2020, 4 January 2021, 24 May 2021 and 4 July 2022 to the latest maturity date falling on 4 July 2023

Repayment: The principal amount of the loan shall be repaid in full on the maturity date

Interest payment: The borrower shall pay interest on a monthly basis commencing from the first month after the drawdown date

Security: Unsecured

### **INDIVIDUAL C**

Date of the Agreement: 4 July 2019

Parties: Lender: Huisheng Enterprise (HK)

Borrower: Individual C

Loan amount: HK\$5 million (Initial loan principal)

HK\$0.7 million (after partial repayment of HK\$4.3 million on 30 November 2020)

Interest rate (p.a.): 12%

Term: 12 months commencing from the drawdown date, and the term has been further extended on 4 July 2020, 30 November 2020, 4 July 2021 and 4 July 2022 to the latest maturity date falling on 4 July 2023

Repayment: The principal amount of the loan shall be repaid in full on the maturity date

Interest payment: The borrower shall pay interest on a monthly basis commencing from the first month after the drawdown date

Security: Unsecured

## **INDIVIDUAL F**

Date of the Agreement: 16 June 2020

Parties: Lender: Huisheng Enterprise (HK)

Borrower: Individual F

Loan amount: HK\$6 million (Initial loan principal)

HK\$2.1 million (after partial repayment of HK\$3.9 million before 27 October 2020)

Interest rate (p.a.): 12%

Term: 3 months commencing from the drawdown date, and the term has been further extended on 16 September 2020, 27 October 2020 and 16 September 2021 to the latest maturity date falling on 16 September 2022

Repayment: The principal amount of the loan shall be repaid in full on the maturity date

Interest payment: The borrower shall pay interest on a monthly basis commencing from the first month after the drawdown date

Security: Unsecured

## **INDIVIDUAL 1**

Date of the Agreement: 3 June 2018

Parties: Lender: Linli Huisheng  
Borrower: Individual 1

Loan amount: RMB50 million

Interest rate (p.a.): 9.6%

Term: 5 years commencing from the date of the agreement (Note 1)

Repayment: The principal amount of the loan shall be repaid in full on the repayment date

Interest payment: The borrower shall pay interest on a yearly basis commencing from the first year after the drawdown date

Security: Unsecured

## **INDIVIDUAL 2**

Date of the Agreement: 10 June 2018 (as supplemented by an extension agreement dated 30 July 2018)

Parties: Lender: Linli Huisheng  
Borrower: Individual 2

Loan amount: 10 June 2018 RMB80 million (Initial loan principal)  
30 July 2018 RMB25 million (Supplemental loan principal)  
30 July 2018 RMB105 million (in aggregate)

Interest rate (p.a.): 9.6%

Term: 5 years commencing from the date of the agreements (Note 1)

Repayment: The principal amount of the loan shall be repaid in full on the repayment date

Interest payment: The borrower shall pay interest on a yearly basis commencing from the first year after the drawdown date

Security: Unsecured

### **INDIVIDUAL 3**

Date of the Agreement: 10 June 2018 (as supplemented by an extension agreement dated 30 July 2018)

Parties: Lender: Linli Huisheng  
Borrower: Individual 3

Loan amount: 10 June 2018 RMB80 million (Initial loan principal)  
30 July 2018 RMB25 million (Supplemental loan principal)  
30 July 2018 RMB105 million (in aggregate)

Interest rate (p.a.): 9.6%

Term: 5 years commencing from the date of the agreements (Note 1)

Repayment: The principal amount of the loan shall be repaid in full on the repayment date





Term: 5 years commencing from the date of the DRA 2 (Note 3)

Repayment: The borrower shall repay in 10 instalments. Each instalment shall be paid half yearly with an amount of not less than RMB13 million

Security: Unsecured

### **CORPORATE 3**

Date of the Agreement: 29 October 2020

Parties: Lender: Linli Huisheng  
Borrower: Hunan Guoke

Loan amount: RMB125.42 million

Interest rate (p.a.): Waived (Note 2)

Term: 5 years commencing from the date of the DRA 3 (Note 3)

Repayment: The borrower shall repay in 10 instalments. Each instalment shall be paid half yearly with an amount of not less than RMB6 million

Security: Unsecured

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Individuals, Individual 1, Individual 2, Individual 3, Corporate 1, Corporate 2 and Corporate 3 and their respective ultimate beneficial owner(s) are Independent Third Parties.

Notes:

1. Linli Huisheng, Individual 1 and Corporate 1 entered into the DRA 1, pursuant to which Corporate 1 has conditionally agreed to transfer and Individual 1 has conditionally agreed to assign the outstanding loan balance together with the unsettled interest receivable in aggregate of approximately RMB59.98 million. The term was conditionally agreed to waive all interest charged to Corporate 1 until the loan maturity.

Linli Huisheng, Individual 2 and Corporate 2 entered into the DRA 2, pursuant to which Corporate 2 has conditionally agreed to transfer and Individual 2 has conditionally agreed to assign the outstanding loan balance together with the unsettled interest receivable in aggregate of approximately RMB125.42 million. The term was conditionally agreed to waive all interest charged to Corporate 2 until the loan maturity.

Linli Huisheng, Individual 3 and Corporate 3 entered into the DRA 3, pursuant to which Corporate 3 has conditionally agreed to transfer and Individual 3 has conditionally agreed to assign the outstanding loan balance together with the unsettled interest receivable in aggregate of approximately RMB125.42 million. The term was conditionally agreed to waive all interest charged to Corporate 3 until the loan maturity.

2. For more details about loan interest income waived, please refer to note 3 to Table 1 above.
3. The maturity date of each debt re-structuring agreement initially fall on the 5th anniversary date. On 1 December 2021, Linli Huisheng further negotiated and agreed with Corporate 1, Corporate 2 and Corporate 3 that all outstanding loan balances will be fully settled by the end of year 2022.
4. As at the date of this announcement, the total outstanding loan balances of Individual B, Individual C, Individual F, Corporate 1, Corporate 2 and Corporate 3 were approximately HK\$3 million, HK\$0.7 million, HK\$nil, RMBnil, RMBnil and RMB11 million respectively.

### **Funding of the loan**

The loans advanced to Individual B, Individual C, Individual F, Individual 1, Individual 2, Individual 3, Corporate 1, Corporate 2 and Corporate 3 were financed by internal resources of the Group.

## **Information of the Group, Huisheng Enterprise (HK) and Linli Huisheng**

The Company is an investment holding company. The Group is engaged in (i) the production and sale of daily consumption pork and related meat food products for the domestic market as well as hog breeding and hog farming in Changde, Hunan Province, the PRC; (ii) the provision of technical advisory services on design, application, implementation and installation, and the selling and distribution of pipe system products; and (iii) the provision of financial services.

Linli Huisheng is an indirect wholly-owned subsidiary of the Company established under the laws of the PRC.

Huisheng Enterprise (HK) is an indirect wholly-owned subsidiary of the Company. It has obtained a money lender's licence granted under the Money Lenders Ordinance on 25 April 2017 and commenced the money lending business thereafter.

### **Information on the borrowers**

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquires:

#### ***Individual B***

Individual B is an individual and an Independent Third Party. He is an experienced current affairs critic and columnist.

#### ***Individual C***

Individual C is an individual and an Independent Third Party. He is a merchant who principally engages in equity investment.

#### ***Individual F***

Individual F is an individual and an Independent Third Party. He is a merchant who principally engages in equity investment.

### ***Individual 1***

Individual 1 is an individual and an Independent Third Party. He is a merchant who owns a company incorporated in the PRC which is principally engaged in manufacturing and distribution of pharmaceutical.

### ***Individual 2***

Individual 2 is an individual and an Independent Third Party. He is a merchant who owns a company incorporated in the PRC which is principally engaged in manufacturing and distribution of cigarette.

### ***Individual 3***

Individual 3 is an individual and an Independent Third Party. He is a construction contractor and also engaged in wholesale of building materials. He also owns a supermarket in the PRC.

### ***Corporate 1***

Corporate 1 is a company incorporated in the PRC with limited liability, principally engaged in selling of construction materials and equipment and is an Independent Third Party. The ultimate beneficial owners of this company are Zhong Faping (鐘發平) and Xu Chunhua (徐春華).

### ***Corporate 2***

Corporate 2 is a company incorporated in the PRC with limited liability, principally engaged in selling of snacks and food additives and is an Independent Third Party. The ultimate beneficial owner of this company is Zhang Xuewu (張學武).

### ***Corporate 3***

Corporate 3 is a company incorporated in the PRC with limited liability, principally engaged in manufacturing of integrated circuit and is an Independent Third Party. The ultimate beneficial owner of this company is Xiang Ping (向平).

## **Reasons for and benefits of entering into the loan agreements**

Having taken into account the principal business activities of the Group, the provision of financial assistance to the individual and/or corporate borrowers is in the ordinary and usual course of business of the Group.

The terms of the loan agreements were negotiated on an arm's length basis among Huisheng Enterprise (HK) or Linli Huisheng and the individuals or corporate borrowers. The Directors are of the view that the terms of the loan agreements were fair and reasonable and were entered into on normal commercial terms. After having taken into account, among others, (i) the satisfactory financial background of the borrowers, (ii) the suspension of the Group's hog business during October 2018 to November 2020 and (iii) that a stable revenue and cashflow stream from the interest income is expected, the Directors considered that the terms of the loan agreements were fair and reasonable and the entering into the loan agreements were in the interests of the Company and Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios in respect of the maximum amount of financial assistance granted to Individual B pursuant to the first supplemental agreement dated 4 July 2020, the second supplemental agreement dated 4 January 2021, the third supplemental agreement dated 24 May 2021 and the fourth supplemental agreement dated 4 July 2022 were more than 5% but less than 25%, the transactions contemplated under each of the first supplemental agreement dated 4 July 2020, the second supplemental agreement dated 4 January 2021, the third supplemental agreement dated 24 May 2021 and the fourth supplemental agreement dated 4 July 2022 constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore would have been subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement.

As one of the applicable percentage ratios in respect of the maximum amount of financial assistance granted to Individual C pursuant to the first supplemental agreement dated 4 July 2020 was more than 5% but less than 25%, the transaction contemplated under the first supplemental agreement dated 4 July 2020 constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore would have been subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement.

As one of the applicable percentage ratios in respect of the maximum amount of financial assistance granted to Individual F pursuant to the loan agreement dated 16 June 2020 and the first supplemental agreement dated 16 September 2020 were more than 5% but less than 25%, the transactions contemplated under each of the loan agreement dated 16 June 2020 and the first supplemental agreement dated 16 September 2020 constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore would have been subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement.

As one or more of the applicable percentage ratios in respect of the maximum amount of financial assistance granted to Individual 1 pursuant to the loan agreement dated 3 June 2018 and the DRA 1 were more than 25%, the transactions contemplated under each of the loan agreement dated 3 June 2018 and the DRA 1 constituted a major transaction for the Company under Chapter 14 of the Listing Rules and therefore would have been subject to the reporting, announcement, circular and Shareholders' approval requirements. DRA 1 also constituted an advance to an entity pursuant to Rule 13.13 of the Listing Rules as the asset ratios exceeded 8% as at the effective date of DRA 1.

As one or more of the applicable percentage ratios in respect of the maximum amount of financial assistance granted to Individual 2 pursuant to the loan agreements dated 10 June 2018 and 30 July 2018 (both on a standalone basis and when aggregated pursuant to Rule 14.22 of the Listing Rules), the DRA 2 were more than 25%, the transactions contemplated under each of the loan agreements dated 10 June 2018 and 30 July 2018 and the DRA 2 constituted a major transaction of the Company and therefore would have been subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. DRA 2 also constituted an advance to an entity pursuant to Rule 13.13 of the Listing Rules as the asset ratios of each of which exceeded 8% as at the effective date of DRA 2.

As one or more of the applicable percentage ratios in respect of the maximum amount of financial assistance granted to Individual 3 pursuant to the loan agreements dated 10 June 2018 and 30 July 2018 (both on a standalone basis and when aggregated pursuant to Rule 14.22 of the Listing Rules), the DRA 3 were more than 25%, the transactions contemplated under each of the loan agreements dated 10 June 2018 and 30 July 2018 and the DRA 3 constituted a major transaction of the Company and therefore would have been subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. DRA 3 also constituted an advance to an entity pursuant to Rule 13.13 of the Listing Rules as the asset ratios of each of which exceeded 8% as at the effective date of DRA 3.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement, Individual B, Individual C, Individual F, Individual 1, Individual 2, Individual 3, Corporate 1, Corporate 2 and Corporate 3 and their ultimate beneficial owner(s) are Independent Third Parties.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3.

The circular containing, among others, (i) details of the financial assistance granted under loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 15 December 2022 as additional time is required to prepare and finalise the information to be included in the circular.

The Directors noted that the aforementioned loan agreements constituted notifiable transaction(s) of the Company under Chapter 14 of the Listing Rules at the material time. Thus, the failure by the Company to comply with the reporting, announcement, circular and Shareholders' approval requirements in a timely manner in respect of the loan agreements constituted non-compliance with Chapter 14 of the Listing Rules.

The Directors deeply regret that the Company had not fully complied with the requirements under Chapter 14 of the Listing Rules for the relevant loan transactions as mentioned above, and would like to stress that legal and regulatory compliance has long been an important culture of the Group and that it has always treated compliance with the Listing Rules as a top priority. The Group has been maintaining regular communications with, and seeking advice from, its professional advisers on different aspects of Listing Rules compliance, but has unfortunately and regrettably not done so for the aforementioned loan agreements on a timely basis.

As all the loan transactions were entered into during the ordinary course of business and all the borrowers are and were Independent Third Parties, the management of the Company has inadvertently overlooked and was not aware that such would constitute transaction under Chapter 14 of the Listing Rules at the material time which should have been subject to the announcement and Shareholders' approval requirements under the Listing Rules. No separate announcement and circular had been issued by the Company in accordance with the Listing Rules prior to the date of this announcement in this regard.

## **REMEDIAL ACTIONS**

The Company deeply regrets about its non-compliance with the Listing Rules but the Company would like to stress that the non-compliance was inadvertent. To prevent similar non-compliance from occurring in the future, the Company has taken/will take the following measures and actions:

- (i) the company secretary and the management of the Company shall continue to oversee and monitor the Company's on-going compliance with the Listing Rules;
- (ii) the Company should conduct an internal training session to explain the relevant Listing Rules' requirements and the reporting procedures for notifiable transactions under the Listing Rules, and to emphasise the importance of identifying such transactions prior to execution; and
- (iii) If the Group is to grant any new loans in the future, the Company will promptly establish a committee which will be empowered by the Board to deal with its money lending transactions. One of the committee members will be specifically tasked with ensuring in compliance with the Listing Rules for the transactions carried out. However, in view of the facts that (1) our hog business has been gradually resumed and it is better to maintain a certain level of cash balances for the utilisation of its business and to meet the Group's any future funding needs; (2) the unstable economic situation under COVID-19 pandemic; and (3) to prevent similar incident in the future, the Company plans to run down the money lending business after receiving all the existing outstanding balances and currently has no plan to grant any new loans in near future; and
- (iv) the Company should, as and when appropriate and necessary, seek its external legal or other professional advice as to any action required to be taken in relation to any proposed transactions or events in the future.



Going forward, the Company will make such disclosure in a timely manner to ensure compliance with the Listing Rules.

## **GENERAL**

The circular containing, among others, (i) details of the loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules, will be despatched to the Shareholders as soon as possible. Given that the transactions under the relevant loan agreements have also been taken place and some of them have already been fully repaid and/or settled, no general meeting of the Company will be convened to approve the loan agreements in relation to Individual 1, Individual 2, Individual 3, DRA 1, DRA 2 and DRA 3 and the transactions contemplated respectively thereunder.

The information contained in this supplemental announcement does not affect other information contained in the 2021 Annual Report and save as disclosed above, all other information in the 2021 Annual Report remains unchanged.

**Shareholders of the Company and potential investors are urged to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

“2021 Annual Report”	the annual report of the Company for the year ended 31 December 2021 published on 12 May 2022
“2021 Annual Results Announcement”	the annual results announcement of the Company for the year ended 31 December 2021 published on 6 May 2022
“Board”	the board of Directors
“Company”	Huisheng International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1340)
“Corporate 1”	Hunan Keliyuangao

“Corporate 2”	Hunan Yanjinpuzi
“Corporate 3”	Hunan Guoke
“DRA 1”	the debt re-structuring agreement entered into by Linli Huisheng, Individual 1 and Corporate 1 dated 27 October 2020
“DRA 2”	the debt re-structuring agreement entered into by Linli Huisheng, Individual 2 and Corporate 2 dated 29 October 2020
“DRA 3”	the debt re-structuring agreement entered into by Linli Huisheng, Individual 3 and Corporate 3 dated 29 October 2020
“Directors”	the director(s) of the Company
“ECL”	expected credit losses
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huisheng Enterprise (HK)”	Huisheng Enterprise (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company and a registered money lender holding a valid money lender’s licence under the Money Lenders Ordinance
“Hunan Keliyuangao”	Hunan Keliyuangao Technology Group Limited* (湖南科力遠高技術集團有限公司), a company established in the PRC with limited liability, principally engaged in the sale of construction materials and equipment

“Hunan Yanjinpuzi”	Hunan Yanjinpuzi Holdings Limited* (湖南鹽津鋪子控股有限公司), a company established in the PRC with limited liability, principally engaged in selling of snacks and food additives
“Hunan Guoke”	Hunan Guoke Holdings Limited* (湖南國科控股有限公司), a company established in the PRC with limited liability, principally engaged in manufacturing of integrated circuit
“Independent Third Party(ies)”	a third party(ies) independent of the Company and its connected persons
“Individual A”	James Ang (洪集懷), an individual and an Independent Third Party
“Individual B”	Chow Koon Mei (周觀微), an individual and an Independent Third Party
“Individual C”	Togo Takashi (東鄉孝士), an individual and an Independent Third Party
“Individual D”	Hung Cho Sing (洪祖星), an individual and an Independent Third Party
“Individual E”	Wong Kui Shing, Danny (王鉅成), an individual and an Independent Third Party
“Individual F”	Dong Bo, Frederic (董波), an individual and an Independent Third Party
“Individual 1”	Jia Zhaohui* (賈朝暉), an individual and an Independent Third Party
“Individual 2”	Deng Xiaobing* (鄧小兵), an individual and an Independent Third Party

“Individual 3”	Tian Kefeng* (田克峰), an individual and an Independent Third Party
“Individuals”	Including Individual A, Individual B, Individual C, Individual D, Individual E and Individual F
“Linli Huisheng”	Linli Huisheng Meat Products Company Limited* (臨澧惠生肉業有限公司), a domestic enterprise with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“PRC”	The People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.2046 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

By Order of the Board  
**Huisheng International Holdings Limited**  
**Qin Yuanling**  
*Executive Director*

Hong Kong, 8 November 2022

*As at the date of this announcement, the Board comprises Ms. Qin Yuanling as executive Director; and Mr. Wong Yuk Lun, Alan, Mr. Huang Ruilin and Dr. Wang Guiping as independent non-executive Directors.*

\* *for identification purpose only*