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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Huisheng International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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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)**

**MAJOR TRANSACTION  
IN RELATION TO  
PROVISION OF FINANCIAL ASSISTANCE**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular.

24 February 2023

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

“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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Announcement”	the announcement of the Company dated 8 November 2022 in relation to, among other things, the provision of financial assistance under each of the Loan Agreements and the Debt Restructuring Agreements
“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)
“Debt Restructuring Agreements”	collectively, DRA 1, DRA 2 and DRA 3, and each a “Debt Restructuring Agreement”
“DRA 1”	the debt re-structuring agreement entered into by Linli Huisheng, Individual 1 and Corporate 1 dated 27 October 2020 in relation to the restructuring and novation of the loan under Individual 1 Loan Agreement
“DRA 2”	the debt re-structuring agreement entered into by Linli Huisheng, Individual 2 and Corporate 2 dated 29 October 2020 in relation to the restructuring and novation of the loan under Individual 2 Loan Agreement
“DRA 3”	the debt re-structuring agreement entered into by Linli Huisheng, Individual 3 and Corporate 3 dated 29 October 2020 in relation to the restructuring and novation of the loan under Individual 3 Loan Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Guoke” or “Corporate 3”	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, being an Independent Third Party
“Hunan Keliyuangao” or “Corporate 1”	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, being an Independent Third Party
“Hunan Yanjinpuzi” or “Corporate 2”	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, being an Independent Third Party
“Independent ThirdParty(ies)”	a third party(ies) independent of the Company and its connected persons
“Individual 1” or “Mr. Jia”	Jia Zhaohui (賈朝暉), an individual and an Independent Third Party
“Individual 1 Loan Agreement”	the loan agreement dated 3 June 2018 entered into between Linli Huisheng and Individual 1, pursuant to which Linli Huisheng agreed to advance an unsecured loan in the principal amount of RMB50 million to Individual 1 for a term of 5 years from the date thereof
“Individual 2” or “Mr. Deng”	Deng Xiaobing (鄧小兵), an individual and an Independent Third Party
“Individual 2 Loan Agreement”	the loan agreement dated 10 June 2018 (as supplemented by an extension agreement dated 30 July 2018) entered into between Linli Huisheng and Individual 2, pursuant to which Linli Huisheng agreed to advance an unsecured loan in the initial principal amount of RMB80 million to Individual 2 for a term of 5 years from the date thereof
“Individual 3” or “Mr. Tian”	Tian Kefeng (田克峰), an individual and an Independent Third Party

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## DEFINITIONS

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“Individual 3 Loan Agreement”	the loan agreement dated 10 June 2018 (as supplemented by an extension agreement dated 30 July 2018) entered into between Linli Huisheng and Individual 3, pursuant to which Linli Huisheng agreed to advance an unsecured loan in the initial principal amount of RMB80 million to Individual 3 for a term of 5 years from the date thereof
“Latest Practicable Date”	17 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Loan Agreements”	collectively, Individual 1 Loan Agreement, Individual 2 Loan Agreement and Individual 3 Loan Agreement, and each a “Loan Agreement”
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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## DEFINITIONS

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*The English translation of certain Chinese names or words in this circular are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

*For the purpose of this circular, 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.*

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LETTER FROM THE BOARD

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**HUI SHENG INTERNATIONAL HOLDINGS LIMITED**

**惠生國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1340)**

*Directors:*

*Executive Director:*

Qin Yuanling

*Independent non-executive Directors:*

Mr. Wong Yuk Lun, Alan

Mr. Huang Ruilin

Dr. Wang Guiping

*Head Office in the PRC:*

Unit 4

Hejiaping Housing Committee

Deshan Town Economic and

Technological Development Zone

Changde City, Hunan Province

PRC

*Principal place of business in Hong Kong:*

Room 1604, 16/F

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30 Canton Road

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*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

24 February 2023

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO  
PROVISION OF FINANCIAL ASSISTANCE**

**INTRODUCTION**

Reference is made to the Announcement. The purpose of this circular is to provide the Shareholders, among others, (i) details of the Debt Restructuring Agreements; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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During the period from 3 June 2018 to 29 October 2020, Linli Huisheng, being an indirect wholly-owned subsidiary of the Company, had entered into several Loan Agreements with Individual 1, Individual 2, Individual 3, respectively, as well as the Debt Restructuring Agreements with (a) Independent 1 and Corporate 1, (b) Individual 2 and Corporate 2, and (c) Individual 3 and Corporate 3, respectively, involving the provision of financial assistance which would have constituted major transactions of the Company under Chapter 14 of the Listing Rules.

Given that the aforementioned loan agreements had taken place and all of them had already been fully repaid and/or settled prior to the Latest Practicable Date, no general meeting of the Company will be convened to approve, confirm or ratify the Loan Agreements and the Debt Restructuring Agreements and the transactions contemplated respectively thereunder.

### **PRINCIPAL TERMS OF THE LOAN AGREEMENTS AND THE DEBT RESTRUCTURING AGREEMENTS**

The principal key terms of each Loan Agreements and the Debt Restructuring Agreements are summarised as follows:–

#### **INDIVIDUAL 1 LOAN AGREEMENT**

Date of the Agreement:	3 June 2018
Parties:	Lender: Linli Huisheng Borrower: Mr. Jia, being 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



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## LETTER FROM THE BOARD

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### INDIVIDUAL 2 LOAN AGREEMENT

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

Parties: Lender: Linli Huisheng  
Borrower: Mr. Deng, being 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

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## LETTER FROM THE BOARD

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### INDIVIDUAL 3 LOAN AGREEMENT

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

Parties: Lender: Linli Huisheng  
Borrower: Mr. Tian, being 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

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

Security: Unsecured

### DRA 1

Date of the Agreement: 27 October 2020

Parties: Party A: Linli Huisheng (as lender)  
Party B: Mr. Jia, being Individual 1 (as original borrower)  
Party C: Hunan Keliyuangao, being Corporate 1 (as novatee and new borrower)

Loan amount: RMB59.98 million (Note 4)

Interest rate (p.a.): Waived (Notes 1 and 2)

Term: 5 years commencing from the date of the DRA 1 (Note 3)

Repayment: Hunan Keliyuangao shall repay in 10 instalments. Each instalment shall be paid half yearly with an amount with an amount of not less than RMB6 million and the first instalment to be made no later than 30 April 2021

Security: Unsecured

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## LETTER FROM THE BOARD

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### **DRA 2**

Date of the Agreement: 29 October 2020

Parties: Party A: Linli Huisheng (as lender)

Party B: Mr. Deng, being Individual 2  
(as original borrower)

Borrower: Hunan Yanjinpuzi, being Corporate 2  
(as novatee and new borrower)

Loan amount: RMB125.42 million (Note 4)

Interest rate (p.a.): Waived (Notes 1 and 2)

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 and the first instalment to be made no later than 30 April 2021

Security: Unsecured

### **DRA 3**

Date of the Agreement: 29 October 2020

Parties: Party A: Linli Huisheng (as lender)

Party B: Mr. Tian, being Individual 3 (as original borrower)

Party C: Hunan Guoke, being Corporate 3  
(as novatee and new borrower)

Loan amount: RMB125.42 million (Note 4)

Interest rate (p.a.): Waived (Notes 1 and 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 RMB13 million

Security: Unsecured

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, 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 Individual 1 conditionally agreed to novate, and Corporate 1 conditionally agreed to take over the repayment obligation of the outstanding loan balance together with the unsettled interest payable in aggregate of approximately RMB59.98 million under the Individual 1 Loan Agreement, on the condition that Linli Huisheng agreed to waive all interest accrued since July 2020 until the loan maturity.

Linli Huisheng, Individual 2 and Corporate 2 entered into the DRA 2, pursuant to which Individual 2 conditionally agreed to novate, and Corporate 2 conditionally agreed to take over the repayment obligation of the outstanding loan balance together with the unsettled interest payable in aggregate of approximately RMB125.42 million under the Individual 2 Loan Agreement. The term was conditionally agreed to waive all interest accrued since July 2020 until the loan maturity.

Linli Huisheng, Individual 3 and Corporate 3 entered into the DRA 3, pursuant to which Individual 3 conditionally agreed to novate, and Corporate 3 conditionally agreed to take over the repayment obligation of the outstanding loan balance together with the unsettled interest payable in aggregate of approximately RMB125.42 million under the Individual 3 Loan Agreement. The term was conditionally agreed to waive all interest accrued since July 2020 until the loan maturity.

2. 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. As such, the Group has agreed to waive all interest charges accrued since July 2020 until the loan maturity.
3. The maturity date of each Debt Restructuring Agreements initially fell on the 5th anniversary of the date of the respective corresponding Loan Agreement. On 1 December 2021, Linli Huisheng further negotiated and agreed with Corporate 1, Corporate 2 and Corporate 3 that all outstanding loan balances would be fully settled by the end of year 2022.
4. As at 31 December 2022, the outstanding loan balances of Corporate 1, Corporate 2 and Corporate 3 were all fully settled.

### FUNDING OF THE LOAN

The loans advanced to 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 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.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE BORROWERS

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

#### **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. The registered capital of this company is RMB100 million.

#### **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. The registered capital of this company is RMB66.66 million.

#### **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 registered capital of Corporate 1 is RMB105 million which is fully paid up. The ultimate beneficial owners of this company are Zhong Faping (鐘發平) and Xu Chunhua (徐春華), and each of Corporate 1 and its ultimate beneficial owners is an Independent Third Party.

#### **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 registered capital of Corporate 2 is RMB50 million which is fully paid up. The ultimate beneficial owner of this company is Zhang Xuewu (張學武), and each of Corporate 2 and its ultimate beneficial owner is an Independent Third Party.

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## LETTER FROM THE BOARD

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### 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 registered capital of Corporate 3 is RMB100 million which is partially paid up. The ultimate beneficial owner of this company is Xiang Ping (向平), and each of Corporate 3 and its ultimate beneficial owner is an Independent Third Party.

### 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 and the Debt Restructuring Agreements were negotiated on an arm's length basis between Linli Huisheng and the relevant borrowers, respectively. The Directors are of the view that the terms of the Loan Agreements and the Debt Restructuring Agreements were fair and reasonable and were entered into on normal commercial terms. After having taken into account, among others, of the following principal factors:

- (i) the satisfactory background of the borrowers. After conducting a series of works including (but not limited to) (1) background search via National Enterprise Credit Information Publicity System of China and/or Qichacha and review of credit assessment reports; (2) site visits to companies owned by certain borrowers; and (3) meeting with the representatives of certain borrowers, the Directors observed that each of them is entrepreneur/enterprise with business foundation and had no doubt about their financial position and assets;
- (ii) the suspension of the Group's hog business during October 2018 to November 2020. Due to the outbreak of African Swine Fever in 2018, the whole operations of the production and sale of daily consumption pork and related meat food products for domestic market were suspended. The Group even recorded no revenue in pork business during October 2018 to the fourth quarter of 2020. The Group had these business opportunities to generate a new income stream to sustain its operations;
- (iii) a stable revenue and cashflow stream from the interest income is expected. The Loan Agreements initially offered an attractive interest rate of 9.6% per annum to the Group which would enhance our financial situation under the pandemic of COVID-19 by utilisation of our standby funds. Also, the returns from placing of the loans were better than the funds placed at banks for term deposits; and

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## LETTER FROM THE BOARD

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- (iv) the need of funds to resume the Group's hog business and satisfy business needs. During late 2020, the Group has preliminarily resumed its hog business with a small scale of operation and thus required funds and assets to gradually resume the business. The Directors were of the view that the entering into of the Debt Restructuring Agreements, in which the respective repayment dates of the debts had been accelerated, would facilitate the repayment of loan receivables, which in turn would allow the Group to (1) maintain a certain level of cash balances to be utilized for the hog business resumption and (2) meet any unpredicted future funding needs,

the Directors considered that the terms of the Loan Agreements and the Debt Restructuring Agreements were fair and reasonable and the entering into of the Loan Agreements and the Debt Restructuring Agreements were in the interests of the Company and Shareholders as a whole.

### IMPLICATIONS UNDER LISTING RULES

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 Individual 1 Loan Agreement and the DRA 1 were more than 25%, the transactions contemplated under each of the Individual 1 Loan Agreement and the DRA 1 constituted a major transaction for 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 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 Individual 2 Loan Agreement (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 Individual 2 Loan Agreement and the DRA 2 constituted a major transaction for 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 the 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 Individual 3 Loan Agreement (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 Individual 3 Loan Agreement and the DRA 3 constituted a major transaction for 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 the DRA 3.

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## LETTER FROM THE BOARD

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

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 were to convene a general meeting for the approval of the Loan Agreements and the Debt Restructuring Agreements.

Upon further enquires and review of records of the Group, the Directors noted that the aforementioned Loan Agreements and the Debt Restructuring Agreements constituted major transaction(s) of the Company under Chapter 14 of the Listing Rules at the time of entering into the Loan Agreements and the Debt Restructuring Agreements. 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 and the Debt Restructuring 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 Agreements and the Debt Restructuring Agreements 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 under the Loan Agreements and the Debt Restructuring Agreements 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 the 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;



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## LETTER FROM THE BOARD

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- (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 emphasize the importance of identifying such transactions prior to execution;
- (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 resumption 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 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.

Since the provision of financial assistance under the loan agreements cannot be reversed, the Company shall despatch this circular in relation to the provision of financial assistance, but intends not to put forward a resolution at a general meeting of the Company to ratify the entering into of the aforementioned loan agreements.

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

### RECOMMENDATION

Having considered the reasons set out herein, the Directors (including the independent non-executive Directors) consider that the entering into of the aforementioned loan agreements and the transactions contemplated thereunder were and are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**Huisheng International Holdings Limited**  
**Qin Yuanling**  
*Executive Director*

**1. FINANCIAL INFORMATION**

The financial information of the Group for the years ended 31 December 2015 to 2021 and for the six months ended 30 June 2022 were disclosed in the annual reports of the Company for the years ended 31 December 2019 (pages 43 to 134), 2020 (pages 42 to 138), and 2021 (pages 42 to 138) and the interim report of the Company for the six months ended 30 June 2022 (pages 1 to 22). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www3.hkexnews.hk](http://www3.hkexnews.hk)) and the website of the Company ([www.hsihl.com](http://www.hsihl.com)). Please refer to the hyperlinks as stated below:

2015 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2016/0425/ltm20160425381.pdf>

2016 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltm201704271010.pdf>

2017 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltm201804271348.pdf>

2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltm20190429383.pdf>

2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0616/2020061601114.pdf>

2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0730/2021073000625.pdf>

2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0512/2022051201513.pdf>

2022 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092901698.pdf>

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 December 2022, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings comprising the following:

*RMB' 000*

Lease liabilities	102
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Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 December 2022, the Group on a consolidated basis did not have any material debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing or acceptances or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

**3. WORKING CAPITAL**

As at the Latest Practicable Date, the Directors were of the opinion, after due and careful enquiry, and after taking into the account (i) the effect of the provision of financial assistance; (ii) cash flows from operations; and (iii) the internal resources and banking facilities available to the Group, that the working capital available to the Group is sufficient for its present requirements for at least 12 months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Group is principally 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; and (ii) the provision of technical advisory services on design, application, implementation, and installation, and the selling and distribution of pipe system products.

**Slaughtering and trading of pork products**

In the first half of 2022, the PRC hog prices have been increasing slightly to about RMB15 per kilogram from the lowest hog price of about RMB12 per kilogram in the year of 2021, which was one-third of about RMB45 per kilogram of hog price in 2019.

Apart from the challenge of hog price fluctuation in the past years, the outbreak of the global novel coronavirus pandemic (“COVID-19”) has continued to affect the animal husbandry and breed farming industry in the past 2 to 3 years. Advanced technology with stricter environmental requirements for strengthening and improving nourishment and minimising diseases in the production cycle of hog breeding are encouraged by the PRC government authorities to be adopted by the pig farmers.

In addition, the environmental protection regulations set by the PRC governmental authorities pose challenges to the Group to fully resume its operations in this sector, requiring more technical and administrative work and relevant operational methods to be implemented, and more operating costs have been incurred. In order to resuming the Group’s operations on a normal basis and complying with the pollution emission standards, throughout the past few years, the Group has devoted itself to improving breeding farms, upgrading its equipment, balancing the breeding and slaughtering operations and/or focusing on the production of pork products, to achieve the optimal operation as a small scale business. Moreover, the Group has also put in extra effort and internal resources to fulfill all requirements imposed by the PRC governmental authorities. The timeline for full resumption of its operation has not been determined, subject to further assessments, including but not limited to a 2-3 months continuous trial run for obtaining the approval from the PRC governmental authorities, the Group expects to obtain such approval in the second or third quarter of year 2023.

However, an increase in the breeding costs and operational expenditures have also attributed to a rise in the overall expenditure, which led to increasing pressure on the operating costs and low profit margin.

The Group has taken a prudent approach in minimising the operating costs and risks that could be faced by the Group by adopting price control measures through purchasing piglets from independent pig breeders for fattening purposes to be sent off for slaughtering and sold as pork products. Besides, the Group has outsourced the hog slaughtering procedures to an independent slaughterhouse. Thereafter, the pork products are packed and sold directly or further processed according to the customers’ requirements. This price control measure enables the Group to stabilise the production costs and maximise the Group’s profit margin.

#### **Pipe system products**

In the first half of 2022, revenue for Pipe system products dropped significantly and recorded approximately RMB118,000, representing a decrease of approximately 99.4% as compared to the corresponding period of last year. A significant decrease was mainly attributable to the uncertainty of the impact of COVID-19 in Japan, causing local sales orders to have been delayed which affected the Group’s operations in Pipe system products.

The Group has already been re-communicating with the customers for resuming the services in this business segment. The Group expects the revenue for Pipe system products to gradually improve as a result of obtaining more sales orders in the second half of 2022.

The Group will continue to maintain its slaughtering and trading of pork products business and the pipe system products business by striking a balance between the two businesses to better allocate resources of the Group to maximise the profit return to the shareholders of the Company. The Group's management will be cautious in dealing with the business risks and internal control under the impact of COVID-19.

### **Future prospects**

Looking forward, in the first half of 2023, the Group's business sector in slaughtering and trading of pork products will remain challenging in due to the uncertainty of COVID-19, the adoption of policies or regulations imposed by the PRC governmental authorities and fluctuation of the hog price in the market. The Group expects that the hog price will moderately be going upward and become more stable in the future.

The Group has been cautious in performing and operating its core business and to find ways to resume its slaughtering and trading of pork business, such as to satisfy all relevant requirements imposed by the PRC governmental authorities for granting the slaughtering permits, seeking for potential investment and/or cooperative opportunities as an expansion of its up- or downstream business integration, including but not limited to, the acquisition of an existing equipped breeding farm, feeding company and/or slaughterhouse for optimising its existing operating scale.

The Group entered into a joint venture agreement (“**JV Agreement**”) on 30 November 2022, pursuant to which the parties agreed to establish a joint venture (“**JV**”) in Hunan Province, the PRC with a registered capital of RMB10 million, in which the Group and the JV partner will obtain 60% and 40% equity interests of the JV respectively. The JV will become a subsidiary of the Company after the completion of the JV Agreement. The JV partner is a PRC state-owned enterprise with limited liability who principally engaged in plant and sale of agricultural products. The JV is proposed to be principally engaged in the business of hog slaughtering. The Directors believe that the JV can commence trial run by the end of this year or early next year, and once it commences commercial operation may then enhance the production efficiency and lower the production cost of the Group. Details of the JV are set out in the announcement of the Company dated 30 November 2022.

In respect to the Pipe system products business, the Group expects to receive various new local sales orders which would strike a balance between the business sectors and to be more effectively in allocating the Group's funding resources, in order to maximise the value of our Shareholders.

**6. FINANCIAL EFFECTS OF THE LOAN AGREEMENTS INVOLVING THE PROVISION OF FINANCIAL ASSISTANCE**

The provision of financial assistance to Individual 1 was entirely financed by the Group's general working capital. As a result of entering into the Individual 1 Loan Agreement and upon completion, the loan receivable had been increased by RMB50,000,000 and the bank balances and cash decreased by RMB50,000,000. The advance of the loan under the Individual 1 Loan Agreement did not have material impact on the net asset value of the Group. The interest income derived from the Individual 1 Loan Agreement had been recorded as other income of the Group.

The provision of financial assistance to Individual 2 was entirely financed by the Group's general working capital. As a result of entering into the Individual 2 Loan Agreement and upon completion, the loan receivable had been increased by RMB105,000,000 and the bank balances and cash decreased by RMB105,000,000. The advance of the loan under the Individual 2 Loan Agreement did not have material impact on the net asset value of the Group. The interest income derived from the Individual 2 Loan Agreement had been recorded as other income of the Group.

The provision of financial assistance to Individual 3 was entirely financed by the Group's general working capital. As a result of entering into the Individual 3 Loan Agreement and upon completion, the loan receivable had been increased by RMB105,000,000 and the bank balances and cash decreased by RMB105,000,000. The advance of the loan under the Individual 3 Loan Agreement did not have material impact on the net asset value of the Group. The interest income derived from the Individual 3 Loan Agreement had been recorded as other income of the Group.

As a result of entering into the DRA1 and upon completion, the Group's loan receivable had been increased by approximately RMB9,982,960, and the interest receivables had been decreased by approximately RMB9,982,960. The entering into of the DRA1 did not have any material impact on the net asset value of the Group.

As a result of entering into the DRA2 and upon completion, the Group's loan receivable had been increased by approximately RMB20,420,903, and the interest receivables had been decreased by approximately RMB20,420,903. The entering into of the DRA2 did not have any material impact on the net asset value of the Group.

As a result of entering into the DRA3 and upon completion, the Group's loan receivable had been increased by approximately RMB20,420,903, and the interest receivables had been decreased by approximately RMB20,420,903. The entering into of the DRA3 did not have any material impact on the net asset value of the Group.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporation**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange.

**Substantial shareholders' interests and short positions in the shares and underlying shares of the Company**

As at the Latest Practicable Date, no person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTEREST OF DIRECTORS**

As at the Latest Practicable Date, the Director who had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the Listing Rules was as follows:

<b>Name of Director</b>	<b>Name of Company</b>	<b>Nature of Business</b>	<b>Nature of interest</b>
Wong Yuk Lun, Alan	NOVA Group Holdings Limited ("NOVA")	Money Lending Business	Executive director of NOVA

As at the Latest Practicable Date, save as disclosed above, none of the Directors or the controlling shareholders or their respective close associates (both as defined in the Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and his or her close associates (as defined under the Listing Rules) was materially interested in any contract or arrangement, subsisting at the date of this circular, which significant in relation to the business of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened, against any member of the Group.



## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (a) the non-legally binding joint venture framework agreement on the cooperation of a new slaughterhouse in July 2022 entered into between the Group and Yuanlingchen Investment Property Management Limited\* (沅陵辰投資產管理有限責任公司), which is a PRC state-owned enterprise and owns hog slaughtering permit in Yuanling County, the PRC, pursuant to which the Group shall subscribe for not less than 56% of the capital in the joint venture in cash for not less than RMB10 million;
- (b) the JV Agreement dated 30 November 2022 entered into between the Group and Hunan Fengrun Agricultural Development Limited\* (湖南豐潤農業發展有限責任公司) in relation to the establishment of the joint venture with a registered capital of RMB10 million, in which the Group and the joint venture partner will obtain 60% and 40% equity interests of the joint venture respectively;
- (c) the subscription agreement dated 30 November 2022 entered into between the Company and Mr. Wu Guozhu, an Independent Third Party, as the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to issue and allot for 42,000,000 new Shares at HK\$0.053 per subscription share.

## 8. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice, which is contained or referred to in this circular:

<b>Name</b>	<b>Qualifications</b>
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**9. GENERAL**

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office of the Company in the PRC is situated at Unit 4, Hejiaping Housing Committee, Deshan Town Economic and Technological Development Zone, Changde City, Hunan Province, PRC.
- (c) The principal place of business of the Company in Hong Kong is situated at Room 1604, 16/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, which is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The company secretary of the Company is Mr. Lau Chi Yuen. Mr. Lau obtained a Master of Professional Accounting degree from the Southern Cross University. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (g) This circular is prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents are published on the Company's website ([www.hsihl.com](http://www.hsihl.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)), for the period of 14 days commencing from the date of this circular:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021;
- (c) the interim report of the Company for the six months ended 30 June 2022;
- (d) the letter of consent referred to in the paragraph under the heading "Expert and consent" in this appendix;
- (e) copies of each of the Loan agreements;
- (f) copies of each of the Debt Restructuring Agreements; and
- (g) this circular.