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## HUISHENG INTERNATIONAL HOLDINGS LIMITED

### 惠生國際控股有限公司

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

(Stock Code: 1340)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Huisheng International Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2019*

		<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	–	248,721
Cost of sales		–	(254,153)
Gross loss		–	(5,432)
Other income	4	<b>13,516</b>	1,601
Gain arising from change in fair value less costs to sell of biological assets		–	5,753
Net loss arising from change in fair value of financial assets at fair value through profit or loss		<b>(4,036)</b>	(22,225)
Net gain arising from disposal of financial assets at fair value through profit or loss		<b>2,674</b>	10,322
Gain on disposal of a subsidiary		–	8,069
Selling and distribution expenses		–	(5,241)
Administrative expenses		<b>(15,676)</b>	(11,765)
Finance costs		<b>(2,213)</b>	(3,132)

		<b>Six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss before taxation		(5,735)	(22,050)
Taxation	6	<u>—</u>	<u>—</u>
<b>Loss for the period</b>	<b>5</b>	<b><u>(5,735)</u></b>	<b><u>(22,050)</u></b>
<b>Other comprehensive income/(loss) for the period:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		1,736	(208)
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income		<u>—</u>	<u>(1,500)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>1,736</u>	<u>(1,708)</u>
<b>Total comprehensive loss for the period</b>		<b><u>(3,999)</u></b>	<b><u>(23,758)</u></b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(5,735)	(22,050)
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>(5,735)</u></b>	<b><u>(22,050)</u></b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(3,999)	(23,758)
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>(3,999)</u></b>	<b><u>(23,758)</u></b>
<b>Loss per share attributable to owners of the Company</b>			
	8		
Basic and diluted (RMB cents per share)		<b><u>(0.65)</u></b>	<b><u>(2.54)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at <b>30 June 2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2018 <i>RMB'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>252,029</b>	261,733
Prepaid lease payments		–	16,397
Deposits and prepayments for property, plant and equipment	<i>11</i>	<b>116,238</b>	116,238
Deposits and prepayments for biological assets	<i>11</i>	<b>120,000</b>	120,000
Loan receivables	<i>11</i>	<b>259,735</b>	259,735
Investment properties		–	17,121
Financial assets at fair value through other comprehensive income		<b>1,500</b>	1,500
Right-of-use assets		<b>16,929</b>	–
		<hr/> <b>766,431</b> <hr/>	<hr/> 792,724 <hr/>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	<i>9</i>	<b>21,079</b>	35,124
Prepaid lease payments		–	455
Trade receivables	<i>10</i>	<b>5,669</b>	5,669
Loan receivables	<i>11</i>	<b>703</b>	–
Prepayments, deposits and other receivables	<i>11</i>	<b>60,055</b>	52,508
Tax recoverable		–	12
Bank balances and cash		<b>21,418</b>	8,168
		<hr/> <b>108,924</b> <hr/>	<hr/> 101,936 <hr/>
Assets classified as held for sale	<i>12</i>	<b>17,229</b>	–
		<hr/> <b>126,153</b> <hr/>	<hr/> 101,936 <hr/>

		As at <b>30 June 2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2018 <i>RMB'000</i> <b>(Audited)</b>
<b>Current liabilities</b>			
Accruals and other payables		<b>34,760</b>	36,911
Borrowings	<i>13</i>	<b>17,576</b>	22,690
Deferred revenue		<b>25</b>	25
Lease liabilities		<b>157</b>	–
		<u><b>52,518</b></u>	<u>59,626</u>
Liabilities classified as held for sale	<i>12</i>	<u><b>40</b></u>	–
		<u><b>52,558</b></u>	<u>59,626</u>
<b>Net current assets</b>		<u><b>73,595</b></u>	<u>42,310</u>
<b>Total assets less current liabilities</b>		<u><b>840,026</b></u>	<u>835,034</u>
<b>Non-current liabilities</b>			
Deferred revenue		<b>290</b>	302
Borrowings	<i>13</i>	<b>8,788</b>	–
Lease liabilities		<b>152</b>	–
		<u><b>9,230</b></u>	<u>302</u>
<b>Net assets</b>		<u><b>830,796</b></u>	<u>834,732</u>
<b>Equity</b>			
Share capital		<b>7,308</b>	7,308
Reserves		<b>820,021</b>	823,957
Equity attributable to owners of the Company		<u><b>827,329</b></u>	<u>831,265</u>
Non-controlling interests		<b>3,467</b>	3,467
<b>Total equity</b>		<u><b>830,796</b></u>	<u>834,732</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 1. REVIEW OF INTERIM RESULTS

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

## 2. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost convention, except for investment properties, certain financial instruments which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2019 are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as described below.

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

The Group has adopted the following revised HKFRSs for the first time for the current period's condensed consolidated interim financial statements.

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

## 2.1 Impacts and changes in accounting policies of application of HKFRS 16

### *Lease*

#### **As a lessee**

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	<i><b>RMB’000</b></i>
Operating lease commitments disclosed as at 31 December 2018	<b>658</b>
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	<b>(119)</b>
	<hr/>
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>539</b>
	<hr/>
Of which are:	
Current lease liabilities	<b>387</b>
Non-current lease liabilities	<b>152</b>
	<hr/>
	<b>539</b>
	<hr/> <hr/>

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

	<b>Right-of-use assets RMB’000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	602
Reclassified from prepaid lease payments ( <i>note</i> )	16,852
	<hr/>
	<b>17,454</b>
	<hr/> <hr/>

The recognised right-of-use assets relate to the following types of assets:

	<b>As at 30 June 2019 RMB'000</b>	As at 1 January 2019 RMB'000
Land	<b>16,800</b>	17,067
Offices	<b>129</b>	387
Total right-of-use assets	<b><u>16,929</u></b>	<u>17,454</u>

*Note:* Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments approximately of RMB455,000 and RMB16,397,000 respectively were reclassified to right-of-use assets.

### Adjustment of Opening Balances

The adjustments to the opening balances below resulted from the initial application of HKFRS 16 as at 1 January 2019. The prior-period amounts were not adjusted.

<b>Consolidated statement of financial position (extract)</b>	<b>As at 31 December 2018 RMB'000 (Audited)</b>	<b>HKFRS 16 Regrouping RMB'000</b>	<b>As at 1 January 2019 RMB'000 (Unaudited)</b>
<b>Non-current assets</b>			
Prepaid lease payments	16,397	(16,397)	—
Right-of-use assets	—	17,454	17,454
<b>Current asset</b>			
Prepaid lease payments	455	(455)	—
<b>Current liability</b>			
Lease liabilities	—	387	387
<b>Non-current liability</b>			
Lease liabilities	—	152	152

The associated right-of-use assets for offices leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

### 3. SEGMENT INFORMATION

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

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Segment loss before taxation reported to the CODMs	<b>(5,735)</b>	(27,803)
Add:		
Gain arising from change in fair value less costs to sell of biological assets ( <i>note</i> )	—	5,753
	<u>          </u>	<u>          </u>
Loss before taxation reported in the condensed consolidated interim financial statements	<b><u>(5,735)</u></b>	<b><u>(22,050)</u></b>

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

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

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Segment net assets reported to the CODMs and net assets reported in the condensed consolidated interim financial statements	<b><u>830,796</u></b>	<b><u>834,732</u></b>

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

## Geographical information

The Group's revenue from external customers by geographical locations in the PRC during the reporting period is as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Hunan Province	–	199,236
Guangdong Province	–	10,220
Others	–	39,265
	<u>–</u>	<u>248,721</u>

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

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 80% of the total revenue during the six months ended 30 June 2018.

## Information about major customers

For the six months ended 30 June 2019, no revenue generated from customer of the Group which has individually accounted for over 10% of the Group's total revenue (six months ended 30 June 2018: one customer). No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2019 (six months ended 30 June 2018: none).

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Client A ( <i>note</i> )	<u>–</u>	<u>27,345</u>

*Note:* No revenue was contributed by Client A during the six months ended 30 June 2019.

#### 4. REVENUE AND OTHER INCOME

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers</b>		
Sale of pork products	–	247,115
Others ( <i>note</i> )	–	1,606
	<u>–</u>	<u>1,606</u>
	<u>–</u>	<u>248,721</u>

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

The reconciliation of revenue from contracts with customers for the reporting period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Recognised at a point in time:</b>		
Sale of pork products	–	247,115
Others	–	1,606
	<u>–</u>	<u>1,606</u>
	<u>–</u>	<u>248,721</u>

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Other income</b>		
Interest income on:		
Bank deposits	<b>11</b>	706
Loan receivables	<b>12,016</b>	–
Amortisation of deferred revenue	<b>13</b>	13
	<u>12,040</u>	<u>719</u>
Total interest income	<b>12,040</b>	719
Government grants ( <i>note</i> )	<b>1,450</b>	650
Sundry income	<b>26</b>	232
	<u>13,516</u>	<u>1,601</u>

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

## 5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Directors' emoluments	787	730
Other staff costs:		
Salaries and other benefits	1,262	8,875
Retirement schemes contributions	171	1,749
	<u>2,220</u>	<u>11,354</u>
Total staff costs		
Depreciation of property, plant and equipment	9,703	17,574
Depreciation of right-of-use assets	523	–
Amortisation of prepaid lease payments	–	204
	<u>–</u>	<u>204</u>

## 6. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong Profits Tax		
– current period	–	–
	<u>–</u>	<u>–</u>

### Hong Kong

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

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

## PRC

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

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

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

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

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

The income tax expense for the period can be reconciled to the loss before taxation per condensed consolidated statement of profits or loss and other comprehensive income as follows:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss before taxation	<b><u>(5,735)</u></b>	<b><u>(22,050)</u></b>
Tax at the applicable income tax rate	<b>(769)</b>	(4,030)
Tax exemption for subsidiary operating in the PRC	<b>(3,000)</b>	53
Tax effect of income not taxable for tax purpose	<b>(363)</b>	–
Tax effect of expenses not deductible for tax purpose	<b>31</b>	(763)
Tax effect of tax loss not recognised	<b><u>4,101</u></b>	<u>4,740</u>
Income tax expense	<b><u>–</u></b>	<b><u>–</u></b>

## 7. DIVIDENDS

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2019 of approximately RMB5,735,000 (six months ended 30 June 2018: RMB22,050,000) and the weighted average number of 880,838,000 (30 June 2018: 868,470,000) ordinary shares in issue during the reporting period.

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

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
<b>Held-for-trading investments:</b>		
Equity securities listed in Hong Kong ( <i>note</i> )	<u>21,079</u>	<u>35,124</u>

*Note:*

At 30 June 2019, the fair value of the listed equity securities, amounting to approximately RMB21,079,000 (31 December 2018: RMB35,124,000), was determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

## 10. TRADE RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables	5,743	5,743
Less: Allowance for credit losses	<u>(74)</u>	<u>(74)</u>
	<u>5,669</u>	<u>5,669</u>

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

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Within 30 days	–	–
31 days to 60 days	–	–
61 days to 80 days	–	5,669
Over 80 days	<u>5,669</u>	<u>–</u>
Total	<u><u>5,669</u></u>	<u><u>5,669</u></u>

Movement in the allowance for credit losses on trade receivables, is as follow:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Balance at the beginning of the period	74	–
Allowance for credit losses recognised	<u>–</u>	<u>74</u>
Total	<u><u>74</u></u>	<u><u>74</u></u>

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

The Group does not hold any collateral over these balances.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Deposits and prepayments for property, plant and equipment (note (a))	116,238	116,238
Deposits and prepayments for biological assets	120,000	120,000
Loan receivables (note (b))	260,703	260,000
Other prepayments, deposits and other receivables (note (c))	60,518	52,971
	<u>557,459</u>	<u>549,209</u>
Less: Allowance for credit losses	(728)	(728)
	<u><u>556,731</u></u>	<u><u>548,481</u></u>

Analysed for reporting purposes as:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets	495,973	495,973
Current assets	60,758	52,508
	<u><u>556,731</u></u>	<u><u>548,481</u></u>

Notes:

- (a) The deposits and prepayments for property, plant and equipment as at 30 June 2019 and 31 December 2018 were mainly for the purchase of equipment of production facilities in the Group's slaughter house and breeding farms.
- (b) As at 30 June 2019, there was loan receivables of approximately RMB260,438,000 net of allowance for credit losses of approximately RMB265,000 (31 December 2018: approximately RMB259,735,000 net of allowance for credit losses of approximately RMB265,000). The loan receivables were unsecured, interest bearing within 0.8% to 2% per month and repayable within five years.
- (c) There were interest receivables of approximately RMB21,058,000 net of allowance for credit losses of approximately RMB121,000 as at 30 June 2019 (31 December 2018: approximately RMB13,264,000 net of allowance for credit losses of approximately RMB121,000).

## 12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 11 March 2019, the Company, entered into a sale and purchase agreement with New Stream Holdings Limited (“**Purchaser**”), pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell Simple Rise Inc.’s shares and debt for a cash consideration of HK\$19,500,000. Completion of the disposal took place on 6 August 2019. The assets and liabilities attributable to the disposal group, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below).

The major classes of assets and liabilities of the production line classified as held for sale are as follows:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>
Investment properties	17,135
Other receivables	82
Tax recoverable	<u>12</u>
Total assets classified as held for sale	<u><u>17,229</u></u>
Accruals and other payables	<u>40</u>
Total liabilities classified as held for sale	<u><u>40</u></u>

### 13. BORROWINGS

	As at <b>30 June 2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2018 <i>RMB'000</i> (Audited)
Unsecured:		
Bank borrowings	17,576	17,560
Other borrowings	8,788	5,130
	<u>26,364</u>	<u>22,690</u>

	As at <b>30 June 2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2018 <i>RMB'000</i> (Audited)
Carrying amount repayable:		
On demand or within one year and shown under current liabilities	17,576	22,690
More than one year and shown under non-current liabilities	8,788	–
	<u>26,364</u>	<u>22,690</u>

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

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

	As at <b>30 June 2019</b> %	As at 31 December 2018 %
	<b>(Unaudited)</b>	(Audited)
Fixed rate borrowings	<u>2-30</u>	<u>30</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

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

In the first half of 2019, the Group faced challenges in an environment of the overall pork products market in the PRC, among others, an announcement of 中華人民共和國農業農村部 (Ministry of Agriculture and Rural Affairs of the PRC\*) reported as of 28 June 2019 中國動物疫病預防控制中心 (China Animal Disease Prevention and Control Center\*) discovered a positive sample of African swine fever (the “**ASF**”) in one pig breeding farm located at Shapotou District of Zhongwei City of Ningxia Hui Autonomous Region. The local authorities have started the emergency response for the outbreak as required, 142 hogs were culled from the outbreak breeding farms, implementation of harmless treatment, disinfection of all breeding farms in Zhongwei City and prohibited all hogs from being transferred in and out in that infected areas.

In view of recent market conditions, the pork market in the PRC had been severely affected. Apart from the increasing of the market price, the daily supply of the live hogs and pork products were keeping at a lower level which affected the customers' confidence and in turn the demand of pork products.

### Business Review

Following on the outbreak of ASF in the second half of 2018, thousands of hogs were destroyed around the market. We have received a quarantine order which was issued from the Agriculture Committee of Changde City and the government of Taoyuan County dated 24 October 2018 that, the blockade of our slaughterhouse in Changde City and two breeding farms in Taoyuan County in a period of 42 days respectively. Accordingly, our slaughterhouse and two breeding farms were suspended business since that date.

During the period, we are actively and continuously to perform disinfection and harmless treatment in order for preventing the infection of ASF virus among us. As mentioned in our 2018 annual report, taking into a careful and conservative view, our slaughterhouse and two breeding farms will be expected to resume the operations at the end of 2019. Therefore, the Group has no operating income from its business during the period under review.

\* For identification only

In fact, our team has always actively been seeking different potential investment opportunities to diversify of the Group's business, whereas to safeguard the assets of the shareholders of the Company. During the first half of 2019, the Group started in the operations of money lending business and achieved in generating revenue to the Group. The management of the Company in a view that, as the money lending business stays at a high demand within the market, the Group would have been providing more resources in such business which expect to derive more revenue and profits in the coming year.

During the first half of 2019, the Company entered into a sale and purchase agreement with New Stream Holdings Limited (the “**Purchaser**”), pursuant to which the Company has conditionally agreed to disposal, and the Purchaser has conditionally agreed to purchase 50,000 shares in the capital of Simple Rise Inc. (“**Target Company**”) which is a wholly-owned subsidiary of the Company and 100% of all amounts, including principal and interest, owing by the Target Company and Sunny Harvest Limited, a wholly-owned subsidiary of the Target Company, for a cash consideration of HK\$19,500,000 (the “**Disposals**”). The completion of the Disposals took place on 6 August 2019. Details of the Disposals were set out in the Company’s announcement dated 11 March 2019 and 6 August 2019.

Facing the gloomy weather of the industry, the Group had attempted on 21 September 2018 to raise funds by way of placing shares, but owing to the market turbulence, the placing activities had been unconditionally terminated as of 26 February 2019. In view of our current situation, among other things, the utilisation of the funds held at our PRC subsidiaries for intra-group financing, which would have been a possible way to maintain our financial needs to our PRC subsidiaries only, however, such intra-group financing did not satisfy their financial needs to our HK subsidiaries by way of dividend payment or intra-group loans. But in any event, such intra-group financing may potentially impose tax liabilities on the Group's PRC subsidiaries and/or violate a restriction under PRC's applicable foreign exchange regulations.

Besides, on 20 May 2019, the Company proposed to raise funds by issuing unlisted corporate bonds, for an amount up to HK\$100,000,000 (the “**Corporate Bonds**”), pursuant to which the Company would issue the Corporate Bonds directly to subscriber(s) or through agent(s) and the intended net proceeds to be used as general working capital, including but not limited to funding of business development of the Group. Details of the Corporate Bonds were set out in the Company’s announcement dated 20 May 2019.

As at the date hereof, the Company has issued HK\$10,000,000 Corporate Bonds to an independent third parties. The management expects that, the issuance and subscription of the Corporate Bonds is still at an early stage, the management also expects the completion for the subscription of the Corporate Bonds may be recognised in the near future.

Apart from the subscription of the Corporate Bonds, the Company has no imminent funding needs and has not yet formulated any concrete plan for raising funds. The Company considers and may execute different fundraising alternatives, when the need or opportunity arises, including but not limited to issuing Shares, placing Shares or rights issue, etc, depending on the terms and timing requirements of the need or opportunity.

## **Financial Review**

For the six months ended 30 June 2019, the Group recorded no revenue from our core business (2018: RMB248.7 million) as compared with the same period of last year. As explained herein before, the Group was in parallel with our money lending business which, during that period, generated an interest income of approximately RMB12,016,000.

The selling and distribution expenses of the Group for the period decreased from approximately RMB5.2 million to nil which is in line with the suspension of our production and sale of pork products.

For the six months ended 30 June 2019, the administrative expenses of the Group were approximately RMB15.7 million, while it was approximately RMB11.8 million in 2018. The increase was mainly attributable to the fact that the Company did not have any business operations during the six months ended 30 June 2019. Accordingly, the depreciation charge of property, plant and equipment was primarily recognised as one of the expenses item in cost of sales, and now be allocated to the administrative expenses.

The Group's finance costs were approximately RMB2.2 million, while it was approximately RMB3.1 million in 2018.

The loss attributable to owners of the Company in 2019 was approximately RMB5.7 million, while it was a loss of approximately RMB22.1 million in 2018. The decrease in loss was mainly due to a gross loss of its operation in 2018 and a significantly decrease in the change in fair value of financial assets at fair value through profit or loss during the period under review.

## **Liquidity, Financial Resources and Funding and Treasury Policy**

As at 30 June 2019, the Group had bank balances and cash of approximately RMB21.4 million (31 December 2018: RMB8.2 million). The Group also had net current assets of approximately RMB73.6 million as at 30 June 2019, while it was approximately RMB42.3 million as at 31 December 2018. The total non-current assets of the Group decreased by approximately RMB26.3 million from approximately RMB792.7 million as at 31 December 2018 to approximately RMB766.4 million as at 30 June 2019, which was mainly due to the depreciation charged of property, plant and equipment and reclassification of investment properties to assets classified as held for sale during the period under review.

As at 30 June 2019, the Group had several outstanding borrowings with an aggregate amount of approximately RMB26.4 million with fixed interest rates ranging from 2% to 30% per annum.

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

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2019, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

### **Gearing Ratio**

As at 30 June 2019, the Group's gearing ratio (being its total debts, which are the summation of borrowings divided by its total equity and multiplied by 100%) was approximately 3.2% (31 December 2018: 2.7%).

### **Foreign Exchange Exposure**

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

### **Capital Commitments and Contingent Liabilities**

As at 30 June 2019, the Directors were not aware of any material capital commitments and contingent liabilities.

## **Material Acquisitions and Disposals**

During the six months ended 30 June 2019, the Company entered into sale and purchase agreement with the Purchaser. The Company has conditionally agreed to disposal of 50,000 shares in the capital of Target Company which is a wholly-owned subsidiary of the Company and 100% of all amounts, including principal and interest, owing by the Target Company and Sunny Harvest Limited, a wholly-owned subsidiary of the Target Company for a cash consideration of HK\$19,500,000. The completion of the Disposals took place on 6 August 2019. Details of the Disposal was set out in the Company's announcement dated 11 March 2019 and 6 August 2019.

## **Significant Investment**

Save as disclosed in this announcement, there was no other significant investments during the period under review.

## **Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## **Employees and Remuneration Policy**

As at 30 June 2019, the Group employed 245 staff members in Hong Kong and the PRC (31 December 2018: 245). The Group remunerates its employees based on their performance and experience, and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program.

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

## **Capital Structure**

During the six months ended 30 June 2019, there are a total of 880,838,000 of issued Shares of the Company.

There was no other changes in the capital structure of the Company during the six months ended 30 June 2019.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

## **COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

During the six months ended 30 June 2019 and up to the date of this announcement, the Directors 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 were as follows:

<b>Name of Director</b>	<b>Name of Company</b>	<b>Nature of Business</b>	<b>Nature of interest</b>
Wong King Shiu, Daniel	China Information Technology Development Limited ("China Information"), Stock Code: 8178	Money Lending Business	Executive director of China Information

As the Board is independent to the board of the above mentioned company, the Group is capable of carrying on its business independently and at an arm's length transactions, from the business of above company.

During the six months ended 30 June 2019 and up to the date of this announcement, save as disclosed above, none of the Directors or the controlling shareholders (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.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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

## **OUTLOOK AND FUTURE PROSPECTS**

Notwithstanding the uncertainties presented in the global and local business environment, including recently potential trade wars, we believe that, once our business re-commences, it would not have a tremendous impact on our operations.

Meanwhile, on 1 April 2019, 湖南省農業農村廳 has announced a report of 關於落實生豬屠宰環節官方獸醫檢疫監管制度和非洲豬瘟檢測工作的緊急通知 and elaborated that, for every slaughterhouse there should have to establish or develop its laboratory in order for the implementation of a self-supervision in quarantine control. Each of them should perform regular testing to ensure no infection of ASF virus has been discovered during the slaughter process, and prior to the distribution of pork products to the public. Each of them should also randomly perform at least three testing experiments to ensure that those experiments indicate the testing results are negative.

Because of the new implementation announced recently, the management has to determine taking an approach, prior to the re-commencement of our operations, for the establishment of our own testing laboratories in our slaughterhouse in Changde City and two breeding farms in Taoyuan County, in order to satisfy of their basic applicable requirements from PRC government authorities. Such that, the Group is in the planning stage as to determine for the establishment of our own testing laboratories. The management expects that the new testing laboratories will be launched to its operations by the end of 2019.

Once, our core business is resumed, our operations will be gradually resuming in normal. Also, we are actively seeking to explore other potential investment opportunities to maximise shareholders' value and diversify business risk.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

The Company had complied with the Code Provisions during the six months ended 30 June 2019, except for the following:

### **Code Provision A.2.1**

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Ding Biyan had resigned as executive Director and chairman of the Board (the “**Chairman**”) on 30 June 2018. The Company currently has no Chairman and the Company does not have any officer with the title of ‘Chief Executive Officer’. The daily operation and the management of the Company is monitored by the executive Directors as well as the senior management.

The Board considers that this structure will not impair the balance of power and authority between the Board and management of the Group as the roles of respective executive Directors and senior management which comprises experienced individuals who are in charge of different functions complement the role of the Chairman and Chief Executives Officer. This arrangement can still enable the Company to have strong and consistent leadership for the efficiency of the operation and effectively in response to the changing environment. The Company will continue to find and identify the suitable candidates to take on the post of chairman in order to comply with the requirement of Code Provision A.2.1.

### **Code Provision A.2.7**

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

Since the Company has still been identifying a suitable candidate to assume the duties as Chairman. The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board. The Company will endeavor to arrange the meetings for the Chairman (if later appointed), with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

## **Code Provision E.1.2**

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

Since the Company has been identifying a suitable candidate to assume the duties as Chairman. An executive Director had chaired the AGM on 28 June 2019 and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in the Company's annual report dated 28 March 2019.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee is primarily responsible for, among other things, reviewing the Group's financial controls, risk management and internal control systems and monitoring the integrity of its financial statements and financial reports. Mr. Deng Jingping resigned as an independent non-executive Director and the member of the Audit Committee with effect from 22 March 2019 and the Board appointed Mr. Chan Hin Hang, an independent non-executive Director of the Company as the chairman of Audit Committee and re-designated Mr. Wong Yuk Lun, Alan as the member of Audit Committee since 22 March 2019. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan, with Mr. Chan Hin Hang as its chairman.

The Audit Committee has reviewed with the management the financial and accounting policies adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019. It has also discussed the financial reporting process and the risk management and internal control systems of the Company with the management.

## **CHANGE IN INFORMATION OF DIRECTORS**

In accordance with Rule 13.51B(1) of the Listing Rules, changes of the information of the Directors required to be disclosed, are set out below:

Mr. Deng Jinping has resigned as an independent non-executive Director, and ceased to be the chairman of the nomination committee (the “**Nomination Committee**”) and a member of the Audit Committee of the Board with effect from 22 March 2019.

Mr. Wong Yuk Lun, Alan has ceased to be the chairman of Audit Committee and re-designed as the member of Audit Committee with effect from 22 March 2019.

Subsequently, Mr. Chan Hin Hang has been appointed as an independent non-executive Director, the chairman of Audit Committee and Nomination Committee and a member of the remuneration committee with effect from 22 March 2019.

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.hsihl.com](http://www.hsihl.com). The Company’s interim report for the six months ended 30 June 2019 will be available at the same websites and will be despatched to the Company’s shareholders in due course.

By order of the Board  
**HUI SHENG INTERNATIONAL HOLDINGS LIMITED**  
**Chan Chi Ching**  
*Executive Director*

Hong Kong, 30 August 2019

*As at the date of this announcement, the Board comprises Mr. Chan Chi Ching, Ms. Lam Ka Lee, Dr. Liu Ta-pei and Mr. Suen Man Fung as executive Directors; and Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel and Mr. Wong Yuk Lun, Alan as independent non-executive Directors.*