



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)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

----- 2017 -----

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HUISHENG INTERNATIONAL HOLDINGS LIMITED

1 COMPANY PROFILE

- 1.1 Huisheng International Holdings Limited (the “Company”) and its subsidiaries (together with the Company, the “Group”) is one of the largest pork suppliers in China. The headquarter offices are located at Hong Kong. The Group is principally engaged in hog breeding farms, slaughtering, production and sale of pork products. The Group’s primary product line features fresh, chilled and frozen pork and secondary pork products such as processed pork products including cured pork and sausages. The Group has established its own brand “Waibobo” which is a renowned registered trademark brand in mainland China.
- 1.2 The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 28 February 2014 (Stock Code: 1340).

2 ABOUT THIS REPORT

2.1 Reporting Scope

- 2.1.1 This is the second Environmental, Social, and Governance (“ESG”) report being published by Huisheng International Holdings Limited for the financial year ended 31 December 2017. The scope of the report covers the Group’s all production facilities, including two headquarter offices in Hong Kong (One is office and another is for rental income), two production plants and six hog breeding farms in Hunan Province.

2.2 Reporting Guideline

- 2.2.1 This report was prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” (“Appendix 27”) of the Listing Rules of the Stock Exchanges. In preparation of this ESG report, the Group strictly adhered to the reporting principles in the Appendix 27 to reveal all the material aspects of the business in a quantitative, balanced and consistent manner.
- 2.2.2 The corporate governance of the Group was addressed in accordance with all applicable code provisions set out in “Corporate Governance Code” under Appendix 14 of the Listing Rules of the Stock Exchanges.

3 CHAIRMAN STATEMENT

Dear Valuable Stakeholders,

It is our great pleasure to present our Environment, Social and Governance (ESG) performance report for 2017. The report disclosed some highlights of our sustainability performance over the past year.

We are a sustainable pork production company aligning with our mission and vision “Quality Pork for the People’s Well-being”. In this report, we sets out not only our efforts in improving our product quality, but also showing care about the environment, our staff and our communities. We are committed to bringing sustainability development into our daily business operations. We believe that operating in a sustainable way can provide mutual benefit for both Huisheng and our stakeholders.

Promoting sustainable and quality food to our customers, the visions of Huisheng are:-

- Promoting people-oriented working environment – boosting staff’s morale and sense of belonging
- Protecting our environment – Minimizing the emissions of pollutants and using resources effectively
- Optimize business performance – Providing quality foods to our customers
- Caring our communities – engaging and contributing to social development of the communities

We wish to share our sustainable management and operation approaches throughout this report.

On behalf of the Group, I would like to express my sincere gratitude to our staff, stakeholders and customers for their support over the past financial year. We will never stop exploring more opportunities to enhance our performance in the future.

Ding Biyan
Chairman

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4 MATERIALITY ASSESSMENT

- 4.1 Engaging with the stakeholders is crucial in determining the sustainability approach. The most critical environment and social issues across the Group's business operation and development are assessed during the engagements. Diverse ways such as meetings, emails, surveys, staff communications and discussions are regularly employed to conduct the materiality assessments, to identify new issues and areas of improvement.
- 4.2 Quality and health of pork products, smart use of resources, environmental protection and social responsibility were considered as key materials to the Group over the reporting period. To meet its stakeholders' expectations, the Group is endeavour to minimize the environmental and social impacts during the operations. The main objective is to cement the Group's place in the pork industry as a leading and sustainable company.

5 PROVIDING PREMIUM PRODUCTS TO CUSTOMERS

5.1 Procurement System

- 5.1.1 To consistently produce high-quality products, the first step is the procurement of premium quality materials. Concerning the growing demand for pork products, the Group necessarily needs to purchase hogs from suppliers. Stringent supplier assessment criteria are established for supplier selection. The suppliers are required to comply with all laws and regulations related to legitimacy of operation, environmental and social aspects. Once illegal behaviour is found, the cooperation between the Group and the supplier is terminated at once for penalty.
- 5.1.2 The Group has engaged over 30 hog suppliers which are all from Hunan. For achieving quality assurance from the source, internal quarantine, clenbuterol examination and regular farm inspections are necessary for all suppliers. Only hogs with qualified tags, marks and immunisation certification can be chosen.

5.2 Quality Assurance

5.2.1 The Group’s motto is “Quality Pork for the People’s Well-being” and is committed to providing high-quality products. For upholding the commitment, the Group has developed an internal quality and food safety management policy in accordance with the international standards ISO 9001:2008 Quality Management and ISO 22000:2005 Food Safety Management systems. For being certified, different aspects of criteria shall be fulfilled, including but not limited to Control of Documents, Management Commitment, Quality Policy, Quality Management System Planning, Internal and External Communication, Management Review System, Resource Management and Traceability System.



ISO 9001:2008 Certificate



ISO 22000:2005 Certificate

5.2.2 The Group has formulated a series of hygienic measures to ensure food safety from breeding, slaughtering, to processing. The Group’s hygienic measures include avoidance of cross contamination, cleaning and sterilisations plan, pest’s control, and employee personal hygiene requirement with scientific tests supporting.

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- 5.2.3 Starting from breeding, clean water supplied to hogs, piglets and sewers in all breeding farms are completely separated to avoid contamination. Regular water tests regarding the content of coliform and bacteria are conducted to ensure the water supplied to hogs is in compliance with standards.
- 5.2.4 The health condition of hogs are closely monitored to avoid outbreak of diseases. The Group has developed a comprehensive mitigation measures and reporting mechanism to central authority when disease outbreak is detected. As long as the disease symptoms of a hog has been observed, the hog is quarantined for observation. During quarantine, the hog is kept in an isolated area with sufficient water for at least 12-24 hours. The health condition of the hog is monitored by the official animal quarantine officer. The hog can only be relocated to waiting lairage when the officer issues an approval.
- 5.2.5 When it comes to meat processing, microbiological tests are carried out with regard to the surfaces of all production facilities such as equipment, tools and containers frequently to create a hygienic environment. Besides, tools and equipment for handling raw meat and cooked meat shall be separated. All the production facilities are cleaned and sterilised before and after production.
- 5.2.6 Once the product is ready for sale, tests for the content of microorganisms and chemicals shall be carried out to safeguard the food safety. The final product that meets the quality and food safety standards is considered as qualified and labelled with a compliance certification, prior to the distribution to the market.
- 5.2.7 The Group pays great attention to the product responsibility and concerns about the traceability of the product after entering the market. For the sake of that, the Group has developed a traceability system with eye-catching logo for each product. The logo identifies types of products, date of production, lot number and certifications. In case of any defection, the Group can immediately recall the products of the same batch.
- 5.2.8 The Group has developed its own policy and Code of Conduct for the protection of intellectual property rights, suppliers and business partners' information. In the reporting year, the Group has complied with all relevant laws and regulations concerning product responsibility, including health and safety, advertising, labelling and privacy matters. No defective product and complaint was found during the reporting year.
- 5.2.9 For further monitoring of the food safety and quality, a food safety team is dedicated to oversee overall conditions and coordination for production lines. The team members are capable and knowledgeable of the requirements when handling safety issues. Members are responsible for on-site inspections, meetings, internal audits, reviews and mitigations developments. Moreover, they initiate interactive communication and knowledge transfer among employees through regular meetings, project learning, trainings and internal publications to enhance the awareness of safety.

6 A HUMANCENTRIC APPROACH TO OPERATION

6.1 Responding to Employee Needs

- 6.1.1 The Group complies with all employment-related standard laws and regulations, maintains a good relationship with employees, and actively encourages staffs' feedback. Building diversity and treating all employees with respect and equal opportunity are the essential practices within the Group.
- 6.1.2 Staffs are evaluated with reference to their qualifications and experiences. Moreover, the Group embraces talents irrespective of their disability, gender, and age. Those who have demonstrated outstanding performance are often recognised and selected for promotion. The Group has established an Employee Reward System to reward outstanding employees by honour bonus, allowances and promotion.
- 6.1.3 Employment of illegal labour including child and forced labour are prohibited in the Group. The Group has adopted an age confirmation system and enforced by Human Resources (HR) Department to prevent any form of employment of child labour in the Group. Furthermore, regular inspection is conducted by the HR Department. Once illegal labour is discovered, the staffs from HR Department are responsible to take corresponding actions to reconcile the illegal labour practices immediately.

6.2 Positive Workplace

- 6.2.1 The Group highly values employees' health and safety. Accordingly, the Group has set up occupational health and safety system in accordance with existing laws and regulations. Safety officers are dedicated to oversee the overall cooperation of occupational health and safety through delivering safety messages, conducting inspections and providing emergency safety measures.
- 6.2.2 Adequate personal protective equipment, including anti-skid boots, helmets, steel mesh gloves and protective clothing are provided in high-risk workshops, especially slaughterhouse. If abnormal or emergency situations are observed, the operation staff shall report to safety officers immediately for immediate actions. Furthermore, regular trainings related to occupational safety are delivered to the operation staff to enhance their awareness in order to minimize injuries and casualties.

Overview of Huisheng's work-related fatalities/injuries

Number of work-related fatalities	0
Number of work-related injuries	4
Rate of staff's lost days due to injuries (no. of lost days/days of a year)	0.3

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6.3 Employees Training and Development

6.3.1 The Group attaches great importance to the professional development of its staff by providing a wide range of trainings and continuous professional development programmes at all levels. External training programmes are available for all employees to enhance their job-related skills and knowledge.

6.3.2 Over the reporting year, training programmes covered both technical and managerial aspects including food safety, business management, quality management and occupational safety. The key objective is to enrich the staff's skill and enhance the Group's competitiveness for supporting sustainable development.

Huisheng's staff Training information

Total Training hours (hours)	1473
Total Workforce (Staff)	378
Average Training Hours per male employee (Total training hours of male employee/Total number of male employee)	4.3
Average Training Hours per female employee (Total training hours of female employee/Total number of female employee)	3.5

6.4 Integrity and Anti-Corruption

6.4.1 The Group emphasises corporate integrity. All suppliers, business partners and employees are required to follow the Group's anti-corruption policy.

6.4.2 Besides, the Group also provided discreet whistle-blowing mechanisms including, but not limited to email, letter, calls or social media to report any suspected case of corruption. Reported cases are further investigated to determine their validity, and once confirmed, the Group would undertake the necessary disciplinary and legal actions. Over the reporting period, no non-compliance case was noticed.

7 PROTECTING OUR ENVIRONMENT

In line with its sustainable development vision, the Group sets oversight for environmental compliance and performance in diverse aspects, such as resource efficiency, air emissions, waste, wastewater, recycling, reuse and discharge. This enables the Group to:

- Establish clear roles and responsibilities for managing environmental compliance;
- Provide all employees with adequate environmental training, awareness and know-how;
- Drive continual improvement with an emphasis on pollution prevention, resource conservation, and operational efficiency.

7.1 Minimizing Emission

Air Emission

7.1.1 Emissions from the Group's business activities in terms of greenhouse gas and other heavy air pollutants are carefully overseen and minimized. To minimize the air emission from the boilers, environmental friendly fuel, hydrocarbon oil, is used. The Group also makes use of the biogas generated from organic materials to drive the boilers during the operations. In addition to the stringent measures, the boilers, operated with the hydrocarbon oil, are equipped with filtering system and removal devices to minimize the environmental impact, in compliance with the standard of existing law and regulation.

7.1.2 Another key point of the emission control system is the regular facility management review. This regular review allows facility management teams to evaluate the performance of the emission reduction measures and identify areas of improvement.

7.1.3 The Group believes that the implementation of such review system is fundamental to the success of emission reduction.

Overview of Huisheng's Greenhouse Gas Emissions (GHG)

Scope 1 Direct Emission (tonnes of CO ₂ equivalent) (tCO ₂ e) ¹	560.25
Scope 2 Indirect Emission (tCO ₂ e) ²	1472.53
Total GHG Emission (tCO ₂ e)	2032.79

* The emission of NO_x and Particulate Matter (PM) are not significant during the operations.

¹ The reported figure represents fuel generated from boiler of one production plant.

² The reported figure represents electricity used by one production plant, two breeding farms and two offices (one started from September 2017).

Wastewater Treatment

7.1.4 The Group strives to minimize wastewater discharge and maintain good practice of wastewater treatment in business operations whenever possible. Adequate wastewater treatment facilities are provided on-site to treat wastewater to meet discharge standards. Regular monitoring system of the effluent quality is set up in compliance with local regulations. The Group ensures that effluents are discharged in full compliance with existing law and regulations.

Waste Management

Hazardous Waste

7.1.5 Hazardous waste produced consists of dead hogs, sludge generated from sewage plant and pig manure. The sludge and manure are re-used as organic fertilizer or put into biogas digesters to generate biogas. Other major hazardous wastes such as pig carcass are incinerated by the Group’s Animal Carcass Harmless Treatment system, in line with national laws and regulations. The Group strives to reduce hazardous waste by substituting a less hazardous source product wherever possible, lowering its impact on the eco-system.

Non-hazardous Waste

7.1.6 Non-hazardous wastes produced consist mainly of paper and hog’s blood and loose hair. The Group is committed to managing its wastes in an environmentally responsible manner with emphasis on pollution prevention, conservation and recycling. The paper was collected and delivered to independent waste recycling companies while hog’s blood and loose hair are handled by licensed waste collectors. The Group aims to reuse and recycle non-hazardous waste in its operations to reduce the amount of waste sent to landfills.

Overview of Huisheng’s Waste Data

Non-Hazardous Wastes	
Paper generated (tonnes) ³	2.04
Hog’s blood and loose hair (tonnes) ⁴	17.20
Hazardous Wastes	
Dead hog (tonnes) ⁵	1,949.90

³ The reported figure represents paper generated by one production plant and one office.

⁴ The reported figure represents hog’s blood and loose hair produced by one production plant.

⁵ The reported figure represents dead hogs generated by three breeding farms and one production plant. And the average weight of the dead hog is 85 kg.

7.2 Smart Use of Resource

Energy Saving

- 7.2.1 The Group's energy consumptions are fuel for driving the boilers electricity. The Group strives to reduce energy consumption by implementing energy conservation measures. Biogas digesters were installed at the production plants to generate biogas from organic waste produced from its business operations. The biogas generated was reused for energy generation. Incandescent light bulbs were replaced by LED lighting systems in on-site plants and farms. The Group is committed to invest more in energy-efficient facilities, exploring further cost-effective ways to reduce its energy consumption.

Overview of Huisheng's Energy Consumption

Electricity Consumption (kWh in '000) ⁶	2393.86
Energy Produced from Fuel (kWh in '000) ⁷	2065.83
Total Energy Consumption (kWh in '000)	4458.18
Energy Consumption Intensity (kWh in '000/Million RMB Revenue)	6.61

Water Conservation

- 7.2.2 Water is used to clean lairages, pork processing equipment, and work areas. The Group formulated water conservation strategies to reduce water wastage. The Group reused the recycled water treated from the wastewater treatment system such as flushing hogs' excreta and irrigating plants.

Overview of Huisheng's Water Consumption

Total Water Consumption (m ³) ⁸	85,768.80
Water Intensity (m ³ /Million RMB Revenue)	127.25

Packaging Material

- 7.2.3 At Huisheng, packaging suppliers must meet the safety regulations and standards applicable to pork food-grade packaging. The Group is committed to reducing usage of the packaging materials while ensuring the safety of pork products at all times.

Overview of Huisheng's Packaging material Consumption

Plastic bag (tonnes) ⁹	81.30
Paper box (tonnes) ¹⁰	308.80
Total Packaging material used	390.10

⁶ The reported figure represents electricity used by one production plant, two breeding farms and two offices (one started from September 2017).

⁷ The reported figure represents fuel used by boiler from one production plant.

⁸ The reported figure represents water used by one production plant, one breeding farm and two office (one started from September 2017).

⁹ The reported figure represents plastic bag used by one production plant.

¹⁰ The reported figure represents paper box used by one production plant.

8 COMMUNITY CONTRIBUTION

Huisheng is devoted to improve social well-being by sharing its economic prosperity to the community. The Group showed its effort to improve people and farmers living:

8.1 Joint Breeding Program

8.1.1 The program aims to assist farmers alleviate poverty through creating self-sustaining economic opportunities. Breeding farms and farmers are selected to participate in the breeding program. The Group provides newborn piglets, veterinary drugs and relevant technology to the selected farmers to nourish. The hogs are sent back to the Group when the hogs grow to around 100kg and the farmers would get paid. The farmers can sustain their operation through the income made and create their own livelihood. The program promotes sustainable development of the local hog industry.

9 LOOKING FORWARD

The Group is devoted to further embed the principles of sustainability to its business management and operations over the coming years. As a green and leading company, we try our best to tackle coming social and environmental challenges together with all stakeholders. With this missions in mind, we are making the world a better place.

10 THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX

10.1.1 This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections.

ESG Aspect	Statement/Section	Page No.
A. Environment		
A1 Emission		
General Disclosure	The Group is not aware of any non-compliance of laws and regulations regarding emissions during the reporting period.	9-10
A1.1	The Type of emissions and respective emissions data	7.1 Minimising Emission
A1.2	Greenhouse gas emissions in total (in tonnes)	The Group is in the process of refining its data collection system of greenhouse gas emission, hazardous and non-hazardous wastes of subsidiaries.
A1.3	Total hazardous waste produced (in tonnes)	
A1.4	Total non-hazardous waste produced (in tonnes)	
A1.5	Description of measures to mitigate emissions and results achieved	
A1.6	Description of how non-hazardous wastes are handled, reduction initiatives and results achieved	
A2 Use of Resources		
General Disclosure		
A2.1	Direct and/or indirect energy consumption by in total and intensity	7.2 Smart use of resources
A2.2	Water consumption in total and intensity	The Group is in the process of refining its data collection system of water, electricity and fuel consumptions of subsidiaries.
A2.3	Description of energy use efficiency initiatives and result achieved	
A2.4	Description of water efficiency initiatives and result achieved	
A2.5	Total packaging material used for finished products	
A3 The Environment and Natural Resources		
A3	General Disclosure	7. Protecting our Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	9-11

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ESG Aspect		Statement/Section	Page No.
B. Social			
B1 Employment			
B1	General Disclosure	6.1 Responding to Employee Needs	7
		During the reporting period, the Group is not aware of any non-compliance with the relevant laws and regulations concerning its employment practices.	
B1.1	Total workforce by gender employment type, age group and geographical region	Total workforce: 378 staff By Gender: Female: 188 staff (50%) Male: 190 staff (50%) By Age group: Age <30: 38 staff (10%) Age ranged 31-40: 76 staff (20.1%) Age ranged 41-50: 161 staff (42.6%) Age ranged >51: 103 staff (27.2%) By Employment type: Senior Management: 4 staff (1.1%) Management: 22 staff (5.8%) Office Staff: 42 staff (11.1%) General Staff: 310 staff (82.0%)	/
B1.2	Employee turnover rate by gender, age group and geographical region.	The Group chooses not to disclose this figures.	/
B2 Health and Safety			
B2	General Disclosure	The Group has complied with all laws and regulations relating to occupational health and safety.	7
B2.1	Number and rate of work-related fatalities	6.2 Positive Workplace	
B2.2	Lost days due to work injury		
B2.3	Description of occupational health and safety measures adopted		

ESG Aspect	Statement/Section	Page No.
<i>B3 Development and Training</i>		
B3	General Disclosure	6.3 Employees Training and Development
B3.1	Percentage of employees trained by gender and employee category	8
B3.2	Average Training Hours (ATH) completed by employee by gender and employee category	By Employment Type: ATH per Manager: 9.2 hrs/Manager ATH per Office staff: 18.4 hrs/Office staff ATH per General Staff: 1.5 hrs/General staff
<i>B4 Labour Standard</i>		
B4	General Disclosure	6.1 Responding to Employee needs
B4.1	Description of measures to review employment practices to avoid child and forced labour	7
B4.2	Description of steps to eliminate such practices	
<i>B5 Supply Chain Management</i>		
B5	General Disclosure	5.1 Procurement System
B5.1	Number of suppliers by geographical region	4
B5.2	Description of practices relating to snagging supplier, number of suppliers where the practices are being implemented and monitored	
<i>B6 Product Responsibility</i>		
B6	General Disclosure	5.2 Quality Assurance
B6.1	Number of service related complaints received and solutions	5-6
B6.2	Description of practices relating to observing and protecting intellectual property rights	No product was recalled for safety and health reasons.
B6.3	Description of quality assurance process and recall procedures	
B6.4	Description of consumer data protection and privacy policies, implementation and monitoring	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	

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ESG Aspect	Statement/Section	Page No.
<i>B7 Anti-Corruption</i>		
B7	General Disclosure	6.4 Integrity and Anti-Corruption
B7.1	Number of concluded legal cases	8
B7.2	Description of preventive measures, implementation and monitoring	No concluded legal case was found regarding corruption.
<i>B8 Community Investment</i>		
B8	General Disclosure	8. Community Contribution
B8.1	Focus areas of contribution	12
B8.2	Resources contributed	