HUISHENG INTERNATIONAL HOLDINGS LIMITED

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(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340

Interim Report 2014

The Board of Directors (the "**Board**") 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 2014. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited)
Revenue	4	**516,252**	529,662
Cost of sales		**(443,450)**	(462,121)
Gross profit		**72,802**	67,541
Other income	4	**2,009**	1,620
Losses arising from changes in fair value less costs to sell of biological assets	10	**(1,612)**	(1,214)
Selling and distribution expenses		**(6,982)**	(6,409)
Administrative expenses		**(21,524)**	(10,475)
Finance costs		**(4,562)**	(4,516)
Profit before taxation		**40,131**	46,547
Taxation	5	**–**	–
Profit for the period	6	**40,131**	46,547
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1,080**	932
Other comprehensive income for the period, net of income tax		**1,080**	932
Total comprehensive income for the period		**41,211**	47,479

	Notes	Six months ended 30 June **2014** **RMB'000** **(Unaudited)**	 2013 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**40,058**	46,547
Non-controlling interests		**73**	–
		40,131	46,547
Total comprehensive income for the period attributable to:			
Owners of the Company		**41,138**	47,479
Non-controlling interests		**73**	–
		41,211	47,479
Earnings per share attributable to owners of the Company	7		
Basic and diluted (RMB cents per share)		**13.4**	15.5

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**279,969**	246,789
Prepaid lease payments		**33,957**	34,325
Biological assets	10	**15,004**	8,257
Deposits and prepayments for property, plant and equipment	12	**60,891**	3,966
Available-for-sale investment		**1,500**	1,500
		391,321	294,837
Current assets			
Biological assets	10	**9,903**	9,786
Inventories		**22,134**	3,165
Prepaid lease payments		**735**	735
Trade receivables	11	**122,908**	136,712
Prepayments, deposits and other receivables	12	**5,909**	2,378
Pledged bank deposits		**20,000**	–
Bank balances and cash		**373,230**	280,838
		554,819	433,614
Current liabilities			
Trade payables	13	**112,382**	123,815
Accruals and other payables	14	**35,039**	26,812
Amount due to a shareholder		**–**	1,969
Bank borrowings — due within one year	15	**77,400**	53,000
Deferred revenue		**88**	88
		224,909	205,684

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Net current assets		**329,910**	227,930
Total assets less current liabilities		**721,231**	522,767
Non-current liabilities			
Loan from government		**839**	808
Notes payable	16	**56,722**	55,764
Deferred revenue		**511**	557
		58,072	57,129
Net assets		**663,159**	465,638
Equity			
Share capital	17	**3,168**	–
Reserves		**655,542**	461,262
Equity attributable to owners of the Company		**658,710**	461,262
Non-controlling interests		**4,449**	4,376
Total equity		**663,159**	465,638

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to Owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Equity attributable to Owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2013 (audited)	–	13,860	300	15,150	(18,117)	291,251	302,444	–	302,444
Profit for the period	–	–	–	–	–	46,547	46,547	–	46,547
Other comprehensive income for the period	–	–	932	–	–	–	932	–	932
Total comprehensive income for the period	–	–	932	–	–	46,547	47,479	–	47,479
As at 30 June 2013 (unaudited)	–	13,860	1,232	15,150	(18,117)	337,798	349,923	–	349,923
As at 1 January 2014 (audited)	–	33,624	1,978	15,150	17,091	393,419	461,262	4,376	465,638
Profit for the period	–	–	–	–	–	40,058	40,058	73	40,131
Other comprehensive income for the period	–	–	1,080	–	–	–	1,080	–	1,080
Total comprehensive income for the period	–	–	1,080	–	–	40,058	41,138	73	41,211
Issue of shares under capitalisation issue	2,359	(2,359)	–	–	–	–	–	–	–
Issue of shares under global offering	789	161,095	–	–	–	–	161,884	–	161,884
Issue of shares under over-allotment option	20	4,948	–	–	–	–	4,968	–	4,968
Shares issue expenses	–	(10,542)	–	–	–	–	(10,542)	–	(10,542)
As at 30 June 2014 (unaudited)	**3,168**	**186,766**	**3,058**	**15,150**	**17,091**	**433,477**	**658,710**	**4,449**	**663,159**

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash generated from operating activities	**37,618**	37,150
Net cash used in investing activities	**(118,918)**	(38,174)
Net cash generated from financing activities	**172,842**	49,321
Net increase in cash and cash equivalents	**91,542**	48,297
Cash and cash equivalents at the beginning of the period	**280,838**	202,613
Effect of foreign exchange rate changes, net	**850**	886
Cash and cash equivalents at the end of the period	**373,230**	251,796

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 biological assets and 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 condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Annual Report 2013 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the "**new HKFRSs**").

In the current period, the Group has applied, for the first time, the following new HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2014. A summary of the new HKFRSs is set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Contribution of Hedge Accounting
HK(IFRIC)-Int 21	Levies

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on Group's results of operations and financial position.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[5]
HKFRS 9	Financial Instruments[5]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
HKAS 19 (Amendments)	Employee Benefits[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.
5 No mandatory effective date yet determined but is available for adoption.

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 ("**CODMs**"), being the executive Directors of the Company, in order to allocate resources to segments and to assess their performance. The operation of the Group constitutes one reportable segment, i.e. slaughtering and trading of pork products. This is also the basis upon which the Group is arranged and organised.

3. SEGMENT INFORMATION *(Continued)*

The information reported to the CODMs for the purpose of resource allocation and assessment of performance, is with reference to profit before taxation and assets which do not contain the losses arising from changes 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 financial statements. The differences between the profit before taxation and assets reported to the CODMs and those in the condensed consolidated financial statements are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment profit before taxation reported to the CODMs	**41,743**	47,761
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(1,612)**	(1,214)
Profit before taxation reported in the condensed consolidated financial statements	**40,131**	46,547

	As at 30 June 2014	As at 31 December 2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Segment assets reported to the CODMs	**664,771**	466,564
Add:		
Losses arising from changes in fair value less costs to sell of biological assets *(note)*	**(1,612)**	(926)
Net assets reported in the condensed consolidated financial statements	**663,159**	465,638

Note: The amounts represent fair value changes in live hogs at the end of the reporting period.

3. SEGMENT INFORMATION *(Continued)*

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

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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hunan Province	**447,260**	454,118
Guangdong Province	**43,631**	54,495
Beijing City	**12,791**	10,425
Others	**12,570**	10,624
	516,252	529,662

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.

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.

The Group's geographical concentration risk is mainly in Hunan Province, which accounted for 87% of the total revenue during the six months ended 30 June 2014 (six months ended 30 June 2013: 86%).

Information about major customers

No individual customers contributed over 10% of the total revenue of the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of pork products	**513,478**	526,045
Others *(note)*	**2,774**	3,617
	516,252	529,662

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposits	**582**	623
Amortisation of deferred revenue	**44**	31
Total interest income	**626**	654
Government grants *(note)*	**940**	165
Gains from selling of non-current biological assets, net	**60**	747
Sundry income	**383**	54
	2,009	1,620

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 People's Republic of China (the "**PRC**").

5. TAXATION

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax expense	**–**	–

Hong Kong

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2013 and 2014.

No provision for Hong Kong profits tax has been made as the Group's income neither arises nor derived from Hong Kong.

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.

According to the prevailing tax rules and regulations, the companies comprising the Group in the PRC are liable to PRC EIT, except for Hunan Huisheng Meat Products Company Limited* (湖南惠生肉業有限公司) ("**Hunan Huisheng**") operating in the business of primary processing of agriculture products is exempted from the PRC EIT during the period under review.

* *For identification purpose only*

5. TAXATION *(Continued)*

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before taxation	**40,131**	46,547
Tax at the applicable income tax rate	**11,030**	11,856
Tax exemption for subsidiary operating in the PRC	**(13,073)**	(12,411)
Tax effect of expenses not deductible for tax purpose *(note)*	**1,650**	312
Tax effect of tax loss not recognized	**393**	243
Income tax expenses	**–**	–

Note: The non-deductible expenses mainly consist of entertainment and listing expenses which are not deductible for tax purpose under the relevant tax jurisdiction. According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from PRC EIT, and no deferred taxation impact was considered for the reporting period.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	**284**	–
Other staff costs		
Salaries and other benefits	**9,616**	7,270
Retirement schemes contributions	**2,026**	1,741
Total staff costs	**11,926**	9,011
Depreciation of property, plant and equipment	**1,253**	1,289
Amortisation of prepaid lease payments	**367**	367

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to the owners of the Company of approximately RMB46,547,000 and on the assumption that 300,000,000 ordinary shares had been in issue, comprising 10,419 in issue as at the date of the Prospectus (as defined below) and 299,989,581 shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" set out in prospectus of the Company dated 17 February 2014 (the "**Prospectus**") as if the shares had been outstanding throughout the entire period.

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to the owners of the Company of approximately RMB40,058,000 and the weighted average of 299,179,000 ordinary shares in issue during the period.

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the period under review.

8. INTERIM DIVIDENDS

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for buildings, plant and machinery, motor vehicles, furniture, fixtures and equipment and construction in progress of approximately nil (2013: nil), nil (2013: RMB5,000), nil (2013: nil), nil (2013: RMB3,000) and RMB34,433,000 (2013: RMB174,289,000) respectively.

10. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Breeder hogs RMB'000	Porkers RMB'000	Total RMB'000
As at 1 January 2013 (audited)	6,395	7,855	14,250
Increase due to purchases	1,475	–	1,475
Increase due to raising (Feeding cost and others)	8,141	25,951	34,092
Transfer	1,106	(1,106)	–
Decrease due to retirement and deaths	(209)	(327)	(536)
Decrease due to sales	(7,435)	(22,877)	(30,312)
(Losses)/gain arising from changes in fair value less costs to sell	(1,216)	290	(926)
As at 31 December 2013 and 1 January 2014 (audited)	8,257	9,786	18,043
Increase due to purchases	3,873	–	3,873
Increase due to raising (Feeding cost and others)	4,329	16,525	20,854
Transfer	524	(524)	–
Decrease due to retirement and deaths	(244)	(224)	(468)
Decrease due to sales	(3,456)	(12,327)	(15,783)
Gain/(losses) arising from changes in fair value less costs to sell	1,721	(3,333)	(1,612)
As at 30 June 2014 (unaudited)	15,004	9,903	24,907

Note: The Group's biological assets as at 31 December 2013 and 30 June 2014 have been arrived at on the basis of a valuation carried out by an independent qualified professional valuer. Given the nature of the biological assets where market determined prices are available, the fair values less costs to sell have been determined by the market approach based on the market determined prices as at 31 December 2013 and 30 June 2014 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The resulting loss arising from changes in fair value less costs to sell of biological assets of RMB1,612,000 (loss recognised for the six months ended 30 June 2013: RMB1,214,000) has been recognised directly in profit or loss for the six months ended 30 June 2014.

11. TRADE RECEIVABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade receivables	**122,908**	136,712

Trade receivables

The fair values of trade receivables approximate their carrying amount.

The credit period on sale of pork products is 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:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 30 days	**105,041**	123,099
31 days to 60 days	**17,867**	13,613
	122,908	136,712

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 review the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. No trade receivables were past due at the end of each reporting period.

The Group does not hold any collateral over the balances.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Prepayments on listing expenses	**–**	2,158
Deposits and prepayments for property, plant and equipment	**60,891**	3,966
Other prepayments, deposits and other receivables	**5,909**	220
	66,800	6,344

Analysed for reporting purposes as:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current assets	**60,891**	3,966
Current assets	**5,909**	2,378
	66,800	6,344

13. TRADE PAYABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade payables	**112,382**	123,815

The credit period on purchase of goods is within 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 30 days	**98,533**	107,746
31 to 60 days	**13,849**	16,069
	112,382	123,815

14. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Accruals and other payables	**35,039**	26,812

15. BANK BORROWINGS

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
On demand or within one year and shown under current liabilities	**77,400**	53,000

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

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Fixed rate borrowings	**2.89% – 7.38%**	7.20% – 12.00%

Details of guarantees provided by the related parties are set out in note 18.

Note: Pursuant to the Deed of Novation dated 29 August 2013, Hongkong Huisheng Meat Food Limited has novated all its obligations and liabilities under a loan agreement dated 8 December 2011 to Huimin Holdings Limited and the obligations of Mr. Ding Biyan and the Company as guarantors have been released. For details of the agreements, please refer to the section headed "Further information about the business of our Group" in Appendix V to the Prospectus.

16. NOTES PAYABLE

On 28 January 2013, Hunan Huisheng, as one of the issuers, issued collective notes to independent third parties. The principal amount of the collective notes is RMB260 million in aggregate in the denomination of RMB100 each, of which RMB60 million was issued by Hunan Huisheng.

The collective notes carry interest at 5.9% per annum and are to be redeemed on the third anniversary from the date of issue. The principal amount of the collective notes of RMB260 million in aggregate is guaranteed by China Bond Insurance Co., Ltd.* (中債信用增進投資股份有限公司). Hunan Huisheng is not contingently liable for the liabilities of other joint issuers.

For details of the collective notes, please refer to the paragraph headed "Notes payable" in the section headed "Financial information" in the Prospectus.

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
At the beginning of the period/year	**55,764**	–
Issue of notes payable	**–**	60,000
Transaction cost directly attributable to the issue of notes	**–**	(5,871)
Net proceeds received from issue of notes payable	**55,764**	54,129
Interest charged at effective interest rate of 9.8% per annum	**2,713**	4,904
Interest payable	**(1,755)**	(3,269)
At the end of the period/year	**56,722**	55,764

* *For identification purpose only*

17. SHARE CAPITAL

For the purpose of the presentation of the condensed consolidated statements of financial position, the balance of the capital as at 31 December 2013 and 30 June 2014 represented the issued and fully paid share capital of the Company.

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount	
		HK$'000	RMB'000
Authorised:			
As at 1 January 2013 and 31 December 2013, ordinary shares of HK$0.01 each	38,000,000	380	312
Increase of ordinary shares *(note (a))*	1,462,000,000	14,620	11,498
As at 30 June 2014	1,500,000,000	15,000	11,810
Issued and fully paid:			
As at 1 January 2013	10,000	–	–
Issue of shares *(note (b))*	419	–	–
As at 31 December 2013	10,419	–	–
Issue of shares under capitalisation issue *(note (c))*	299,989,581	3,000	2,359
Issue of shares under the global offering *(note (c))*	100,000,000	1,000	789
Issue of shares under over-allotment option *(note (d))*	2,484,000	25	20
As at 30 June 2014	402,484,000	4,025	3,168

17. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to a resolution in writing passed by all shareholders on 11 February 2014, the authorised share capital of the Company was increased from HK$380,000 to HK$15,000,000 by the creation of an additional 1,462,000,000 shares, such new shares to rank pari passu with the then existing shares in all respects.

(b) On 27 July 2013, the Company allotted and issued 419 shares of HK$0.01 each to Hunan Hi-Tech Venture Capital (Hongkong) Company Limited (one of the pre-IPO investors) for a cash consideration of HK$24,844,400 (equivalent to approximately RMB19,764,000). The proceeds for this issue were used for the repayment of the Group's loans, supplementing the Group's working capital and payment of listing expenses.

(c) As detailed in the Prospectus, immediately following the Global Offering (as defined in the Prospectus) becoming unconditional and the issue of the offer shares, the authorised share capital of the Company has HK$15,000,000 divided into 1,500,000,000 shares and the issued share capital of the Company was increased to HK$4,000,000 divided into 400,000,000 shares, all of which are fully paid upon credited as fully paid.

(d) The Company granted an over-allotment option to the underwriters of the International Offering (as defined in the Prospectus), pursuant to which the Company may be required to allot and issue up to an aggregate of 18,000,000 additional shares at HK$2.05 per share, being the final offer price under the Global Offering, to cover over-allocations in the International Offering. The over-allotment option was partially exercised on 21 March 2014 and an aggregate of 2,484,000 shares were issued accordingly. The net proceeds of approximately HK$4.9 million were received by the Company. Please refer to the announcement of the Company dated 24 March 2014 for further details.

18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2014 and 2013.

(a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the six months ended 30 June 2014 and 2013 is set out in note 6.

18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Guarantees

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Personal guarantees on joint and several basis by certain shareholders and pledge of properties, plants and equipment held by Jinda Commercial Concrete Co., Ltd.* (常德市金達商品砼有限責任公司) ("**Jinda Concrete**") *(note)*	–	5,000
Guarantee given by Jinda Concrete *(note)*	–	6,000
	–	11,000

Note: Jinda Concrete is a company controlled by Mr. Ding Biyan, a shareholder and executive director of the Company.

The borrowings related to the above guarantees had been fully repaid prior to listing.

* *For identification purpose only*

19. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm.

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within one year	**157**	140
In the second to fifth years, inclusive	**160**	206
After the fifth year	**525**	543
	842	889

Leases are generally negotiated for a term from one to thirty years. Rentals are fixed at the date of signing lease agreement.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event which took place subsequent to the end of the reporting period.

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the largest pork suppliers in Changde, Hunan Province, the PRC. The Group is principally engaged in the production and sale of pork products, and its operation mainly involves hog slaughtering as well as hog breeding and hog farming. Pork products of the Group include fresh, chilled and frozen pork, side products as well as processed pork products including cured pork and sausages.

On 28 February 2014, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of a global offering (the "**Global Offering**") of its shares at the price of HK$2.05 per share. After deduction of all related listing expenses and commissions, the net proceeds from the Global Offering were approximately HK$162.9 million, which are intended to be invested in the Group's new production base (the "**New Production Base**") for slaughtering and processing of pork products situated at Changde Economic and Technology Development Zone, Hunan Province and the construction of new breeding farms. During the period under review, the Group acquired freezer storage facilities for the second phase of the New Production Base. The foundation construction works of the new breeding farm in Taoyuan County, Changde, Hunan Province (the "**Taoyuan Breeding Farm**") have commenced, and the Taoyuan Breeding Farm is expected to be completed on schedule.

Phase one of the New Production Base has completed its trial operation in the first quarter of 2014 and has gradually commenced production. The overall slaughtering capacity of the Group has thus been enhanced. The new breeding farm in Linli County, Changde, Hunan Province with its construction works completed at the end of 2013 has also commenced normal operation in the first quarter of 2014. The newly acquired sows have already given birth to piglets, which are expected to be supplied to the market gradually by the fourth quarter of 2014.

FINANCIAL REVIEW

For the six months ended 30 June 2014, the revenue of the Group was approximately RMB516.3 million, as compared to approximately RMB529.7 million for the same period in 2013. The slight decrease in the revenue was mainly due to a decrease in the overall average selling price of major pork products in the period under review which was generally in line with the market, and partially offset by an approximately 9.0% increase in sales volume of major pork products for the six months ended 30 June 2014 as compared to the same period in 2013 due to the increase in the Group's slaughtering capacity brought by the new slaughtering facilities in the New Production Base.

The gross profit margin for the six months ended 30 June 2014 increased to approximately 14.1% from approximately 12.8% for the same period in 2013. The increase in gross profit margin was mainly due to the decrease in average cost of hogs purchased from third party suppliers resulting from the decrease in market price of hogs, and the extent of such decrease was greater than the decrease in overall average selling price for major pork products. The New Production Base also enhanced the overall slaughtering efficiency and thus reduced the production costs.

During the six months ended 30 June 2014, the selling and distribution expenses of the Group were approximately RMB7.0 million as compared to approximately RMB6.4 million for the same period in 2013, which was mainly due to the increase in sales volume as discussed above. The Group's selling and distribution expenses as a percentage to revenue remained relatively stable at approximately 1.2% and 1.4% for the six months ended 30 June 2013 and 2014 respectively.

The Group's administrative expenses increased from approximately RMB10.5 million for the six months ended 30 June 2013 to approximately RMB21.5 million for the six months ended 30 June 2014. The increase was primarily due to the recognition of listing expenses of approximately RMB7.8 million during the period under review.

The Group's finance costs remained relatively stable at approximately RMB4.5 million and RMB4.6 million for the six months ended 30 June 2013 and 2014 respectively.

The profit attributable to the owners of the Company for the six months ended 30 June 2014 was approximately RMB40.1 million as compared to approximately RMB46.5 million for the same period in 2013. The decrease was mainly attributable to the recognition of listing expenses during the period under review as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 30 June 2014, the Group had bank balances and cash of approximately RMB373.2 million (31 December 2013: RMB280.8 million). The Group also had net current assets of approximately RMB329.9 million as at 30 June 2014, which increased by approximately RMB102.0 million as compared with that of approximately RMB227.9 million as at 31 December 2013 mainly attributable from the net proceeds received from the Global Offering. The total non-current assets of the Group were approximately RMB294.8 million and RMB391.3 million as at 31 December 2013 and 30 June 2014 respectively. The increase in the total non-current assets of the Group was mainly due to the increase in deposits and prepayments for property, plant and equipment mainly related to the New Production Base and the Taoyuan Breeding Farm.

As at 30 June 2014, the Group had several outstanding bank loans with an aggregate amount of approximately RMB77.4 million with fixed interest rates ranging from 2.9% to 7.4% per annum. In January 2013, the Group issued collective notes to institutional investors of the Inter-bank Bond Market of the PRC at the principal amount of RMB60.0 million with a fixed interest rate at 5.9% per annum.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources, bank facilities and collective notes. 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 trading transactions, assets and liabilities of the Group 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 2014, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF GROUP ASSETS

As at 30 June 2014, the Group had pledged certain bank deposits, buildings, construction in progress and prepaid lease payments of approximately RMB162.6 million.

GEARING RATIO

As at 30 June 2014, the Group's gearing ratio (being its total debts which are the summation of bank borrowings, notes payable, loan from government and amount due to a shareholder divided by its total equity and multiplied by 100%) decreased to approximately 20.4% (31 December 2013: 24.0%).

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 period under review, 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.

CONTINGENT LIABILITIES

As at 30 June 2014, the Directors were not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT

Save as described in this report and the Prospectus, there was no other significant investment during the period. Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

SUBSEQUENT EVENTS

No subsequent events occurred after 30 June 2014 which may have a significant effect on the assets and liabilities or future operations of the Group.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group employed 476 staff in Hong Kong and the PRC (31 December 2013: 450). 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 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

The shares of the Company have been listed on the Stock Exchange since 28 February 2014 (the "**Listing Date**"). As part of the Listing, 100,000,000 shares of HK$0.01 each in the share capital of the Company were issued at HK$2.05 per share and 299,989,581 shares were issued, credited as fully paid by way of capitalisation issue. On 21 March 2014, 2,484,000 shares were issued pursuant to the partial exercise of the over-allotment option. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and other reserves.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

After deduction of all related listing expenses and commissions, the net proceeds from the Global Offering and the partial exercise of over-allotment option amounted to approximately HK$162.9 million (equivalent to approximately RMB130.5 million), and they are intended to be applied in the manner as disclosed in the Prospectus. As at 30 June 2014, the Group has applied approximately RMB30.2 million to acquire freezer storage facilities for the New Production Base. The Group has also used approximately RMB16.9 million for the construction of the breeding, farming and environmental facilities in the Taoyuan Breeding Farm. The remaining net proceeds from the Global Offering will be applied for the purposes as suggested in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the period under review.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete 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 the period under review or any time during the period.

OUTLOOK AND FUTURE PROSPECTS

It is the Group's strategy and ultimate goal to streamline and vertically integrate its entire business operation through further implementing the breeding and farming model and expanding its hog slaughtering capacity to maintain a stable supply of quality hogs and minimise reliance on third party suppliers in the future. Phase two development of the New Production Base is underway, for which freezer storage facilities have been acquired and under installation and testing. It is expected to commence operation in the second half of 2014. The new slaughtering base and the enhancement of freezer storage capacity is expected to help the Group to meet the increasing demand for its products and increase its market penetration within and outside Hunan Province.

The Group has commenced the construction of the Taoyuan Breeding Farm, which is expected to commence operation by the end of 2014. The construction of two other new breeding farms is also under preparation. It is expected that the new breeding farms, when they begin production, will provide stable and controllable supply of hogs and quality pork products to the Group. The Directors believe this will enhance consumers' confidence in the Group's products in the long run.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

LONG POSITION IN ISSUED ORDINARY SHARES OF THE COMPANY

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of shareholding
Ding Biyan (丁碧燕)	Interest of a controlled corporation *(note)*	171,390,728	42.6%

Note: These shares are held by Huimin Holdings Limited ("**Huimin**"), which is wholly owned by Mr. Ding Biyan. By virtue of the SFO, Mr. Ding Biyan is deemed to be interested in the shares held by Huimin.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the 30 June 2014, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

LONG POSITION IN ISSUED ORDINARY SHARES OF THE COMPANY

	Capacity	Number of ordinary shares of the Company held	Approximately percentage of the total issued shares of the Company
Huimin	Beneficial owner	171,390,728	42.6%
Ms. Yang Min (楊敏)	Interest of spouse *(note 1)*	171,390,728	42.6%
Jisheng Holdings Limited ("**Jisheng**")	Beneficial owner *(note 2)*	82,147,999	20.4%

Notes:

1. These shares are held by Huimin, which is wholly owned by Mr. Ding Biyan. By virtue of the SFO, Mr. Ding Biyan is deemed to be interested in the shares held by Huimin. Ms. Yang Min is the spouse of Mr. Ding Biyan. By virtue of the SFO, Ms. Yang Min is deemed to be interested in the same number of shares which Mr. Ding is deemed to be interested in.

2. Jisheng is owned as to approximately 33.0% by Mr. Ding Jingxi (丁敬喜), 33.0% by Mr. Zhang Zhizhong (張志忠), 18.6% by Mr. Yu Jishi (于濟世), 11.0% by Mr. Zhou Shigang (周詩剛), 3.3% by Mr. Zhang Jianlong (張建龍) and 1.1% by Ms. Li Xianjie (李賢杰).

Save as disclosed above, as at 30 June 2014, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 have complied with the required standards set out in the Model Code since the Listing Date and up to the date of this report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provisions**") 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.

From the Listing Date and up to the date of this report, the Company had complied with the Code Provisions.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee (the "**Audit Committee**") of the Company is primarily responsible for, among other things, reviewing the Group's financial controls, internal control and risk management systems and monitoring the integrity of its financial statements and financial reports. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping and Mr. Liao Xiujian, with Mr. Ma Yiu Ho, Peter as its chairman. The Audit Committee has reviewed with the management the accounting policies adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014. It has also discussed the financial reporting process, internal control system of the Company with the management.

By order of the Board
HUISHENG INTERNATIONAL HOLDINGS LIMITED
Ding Biyan
Chairman

Hong Kong, 25 August 2014