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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)

BUSINESS UPDATE ANNOUNCEMENT

The Board would like to inform the shareholders and potential investors of the Company that after the outbreak of African Swine Fever in October 2018, the Group has recommenced its Pork Business since October 2020. The Group's current Pork Business mainly engaged in the production and sale of daily consumption pork and related meat food products for domestic market in Hunan Province, the PRC.

The board (the “**Board**”) of directors (“**Director(s)**”) of Huisheng International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to keep the shareholders and potential investors of the Company informed of the latest business development of the Group.

References are made to the annual report of the Company for the year ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020 in relation to the outbreak of Africa Swine Fever in Taoyuan County, Hunan Province, the People's Republic of China (the “**PRC**”) in late 2018, causing the suspension of the Group's hog breeding, slaughtering and selling of daily consumption pork and related meat food products business (“**Pork Business**”).

PORK BUSINESS

Outbreak of the African Swine Fever

To the best knowledge, information and belief, having made all reasonable enquiries, the first outbreak of the African Swine Fever in Taoyuan County, Hunan Province, the PRC took place in October 2018. Accordingly, the government of Taoyuan County was very concerned with the situation in Taoyuan County, and had issued an order to lockdown the regions affected by the African Swine Fever (the “**Lockdown Order**”) in October 2018, in order to combat the disease. Of the three hog breeding farms in Taoyuan County being ordered to lockdown, two of which belonged to the Group.

To the best knowledge, information and belief, having made all reasonable enquiries, the Group's slaughterhouse was the only slaughterhouse in Changde City, Hunan Province, the PRC that sourced hogs which originated from the Taoyuan County for the production of pork products. The Agriculture Committee of Changde City (常德市農業委員會#) requested the Group to suspend its slaughterhouse operations in October 2018, owing to the outbreak of the African Swine Fever in Taoyuan County.

As a result of the Lockdown Order, the Group was under scrutiny by the PRC government authorities, which led to the implementation of stringent requirements on its breeding farms and slaughterhouse before they could be allowed to re-commence operations under the name of the Group. The Group's Pork Business was therefore on halt, pending the implementation of appropriate precautionary measures to the satisfaction of the PRC government authorities.

Precautionary measures taken by the Group since the outbreak of African Swine Fever

During the year of 2019, the management had tried its very best to resume its business, the Group had applied to the relevant authorities for the licences and approvals for the operation of its breeding farms and slaughterhouse, which had undergone reformations, including but not limited to (i) the refurbishment of the hog farms; and (ii) the setting up of a testing laboratory and the re-designing of the inspection and production procedures for the slaughterhouse. In light of the stringent requirements imposed by the relevant authorities, the Group has yet obtained the relevant licences and approvals.

In addition, the Directors had considered (i) the possibility of incurring a huge loss in the event that piglets may be infected by African Swine Fever, causing all hogs to be culled; (ii) the volatile pork price movement, the lead time of approximately nine to ten calendar months from hog pregnancy to slaughtering would expose the Group to high pork price volatility risk; (iii) the uncertainty as to re-commencement timeline for hog slaughtering, due to the pending licences; and (iv) the lower return from piglet fattening and pork carving due to the higher costs for the purchasing of piglets and the outsourcing of the slaughtering procedure, the Group had been cautious to adopt an interim business model for the next year or two by first resuming part of its operations in order to strike a balance between the risk and return. The interim business model, consists of (a) fattening of piglets; and (b) sales of pork products. Upon deciding to resume its piglet fattening operations, the Group had undergone lengthy reformation and refurbishment of its hog farm in order to meet the high safety standards of the PRC government authorities. Further, the Group had leased out a breeding farm and part of the slaughterhouse to an independent third party for rental income to maximise its return from assets, while retaining a breeding farm and part of the slaughterhouse for its business resumption plan.

Interim business model

The Group has commenced the sales of pork products in mid October 2020. Under the interim business model, the slaughtering of hogs would be subcontracted to independent third parties rather than be done by the Group. Although subcontracting part of the procedures to independent third parties would increase the cost and lower the profit margin of the Group, the risk exposure of the Group will in turn be minimised. The Group would place hog orders with independent hog suppliers, which deliver the hogs directly to the independent slaughterhouse as directed by the Group. The hogs would then be slaughtered in the independent slaughterhouse. The slaughtered hogs were then either (i) picked up directly at the slaughterhouse by the customer, or (ii) delivered to the Group's slaughterhouse for further handling.

Fattening of piglets

Under the interim business model, the Group will be required to acquire piglets from independent third parties for fattening purpose. Upon the piglets being fattened into hogs of approximately 100kg-110kg, they will be sent off for slaughtering and then be sold as pork products. The lead time from procurement to fattening to slaughtering will take approximately four calendar months, which is much shorter than the lead time of approximately nine to ten calendar months for breeder hogs to breed piglets for fattening and slaughtering. This arrangement would allow the Group to have better risk management as the lead time to achieve turnover is significantly reduced. In light of the current pork price volatility, the management is of the view that breeding has a high risk due to the long lead time; Thus, the Group would focus on piglet fattening, but the management will from time to time monitor the market situation and make changes when appropriate.

The Group's existing hog farm had underwent reformation and refurbishment, the Group is currently awaiting for the PRC government authorities' approval to commence its piglet fattening operations, which is expected to be obtained by end of 2020 or early 2021. The Group anticipates to initially source approximately 2,000 piglets in aggregate from independent local pig farmers. The Group had entered into a master contract with a supplier for the provision of piglets for fattening which would take effect upon the obtaining of the relevant licences from the PRC government authorities for the operation of the hog farm. Upon the commencement of the piglet fattening operations, the piglets would be shipped directly from the supplier's farm to the Group's farm for fattening for approximately four months, the hogs would then be delivered directly to independent slaughterhouses for slaughtering. Thereafter, the pork products would then be sold directly or further processed as per the customers' requirements.

The outstanding licences and permits material for the Group's hog farm includes (1) Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證#); and (2) Hunan Province Pollutant Emission Permit (湖南省排放污染物許可證#), which are expected to be obtained by end of 2020 or early 2021.

Sales of pork products

Under the interim business model, the Group will be required to outsource the hog slaughtering procedures to independent slaughterhouses. The Group had verbally agreed with the hog slaughterhouses for the slaughtering procedure. Hogs will be sent to the slaughterhouses for slaughtering. Thereafter, the pork products would then be sold directly or further processed as per the customers' requirements. The Group is permitted to conduct pork carving and sale of fresh pork products under its current business license. In mid October 2020, the Group has obtained Food Processing Operation Permit (食品經營許可證#) for pork processing and packaging. As such, the Group would be able to process and package the pork, and sell them as chilled or frozen pork products, to broaden its product range. However, in light of the current high pork prices, the management is of the view that selling freshly carved pork products are more profitable to the Group, but the management will from time to time monitor the market situation and make changes when appropriate.

As at the date of this announcement, the Group is still in the course of negotiating with the PRC government authorities regarding the approval for the re-commencement of its hog slaughtering procedure, which is anticipated to be obtained by end of 2021. The outstanding licences and permits material to the Group's slaughtering procedure includes (1) Certificate of Designated Location for Livestock Slaughtering (畜禽定點屠宰證#); (2) Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證#); and (3) Pollutant Emission Permit (排放污染物許可證#), which are anticipated to be obtained by end of 2021.

The Group's up-to-date business progress

The Group has approached two independent hog suppliers for the provision of hogs, which had previous business relationship with the Group. The Group had verbally agreed with the hog slaughterhouses for the slaughtering procedure. The Group has approached nine independent customers for the sales of pork products, including operators of wet market pork traders, individual and corporate pork product traders, some of which had previous business relationship with the Group. The Group is permitted to conduct pork carving under its current business license, and does not require a separate licence.

The expected timeline for the re-commencement of the Pork Business operations of the Group is as follows which may be subject to amendment depending on the actual regulatory and market conditions:

Time	Event
Mid October 2020	Commenced sales of freshly carved pork products to customers.
	Obtained the licence/permit and approval for processing and packaging of the carved pork products in the Group's slaughterhouse.

End of 2020 or Early 2021	Obtain the licence/permit and approval from the PRC government authorities for the commencement of piglet fattening in the Group's reformed and refurbished hog farm.
	Acquire piglets from independent local pig farmers for fattening in the Group's hog farm.
Around second quarter of 2021	Send hogs fattened in the Group's hog farm to independent slaughterhouse for slaughtering.
End of 2021	Obtain the licence/permit and approval for the hog slaughtering procedure in the Group's slaughterhouse.

PIPELINE BUSINESS

During the period prior to the commencement of the interim business model stated above, the Group operated a pipeline business, comprising of the selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation of pipe system products. The Group will from time to time review the market situation and the business prospects of this business and strike a balance between the Pork Business and the pipeline business, in order to better allocate the resources of the Group while maximizing the return to shareholders of the Company.

By Order of the Board
Huisheng International Holdings Limited
Chan Chi Ching
Executive Director

Hong Kong, 25 November 2020

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names

As at the date of this announcement, the Board comprises Mr. Chan Chi Ching, Mr. Suen Man Fung and Mr. Su Hongbo as executive Directors; and Mr. Chan Hin Hang, Mr. Wong King Shiu, Daniel, Mr. Wong Yuk Lun, Alan and Dr. Wang Guiping as independent non-executive Directors.