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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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Huisheng International Holdings Limited. (the “**Company**”) dated 15 December 2016 (the “**Announcement**”) in relation to, amongst other things, the rights issue on the basis of one rights share for every two existing shares held on the record date. Unless otherwise stated, terms used in this announcement have the same meanings as defined in the Announcement.

As disclosed in the Announcement, the net proceeds of the Rights Issue will be approximately HK\$140.53 million and the Company intends to use (i) approximately HK\$87.82 million (representing approximately 62.5% of the net proceeds from the Rights Issue) for repayment of the borrowings of the Group and (ii) approximately HK\$52.71 million (representing approximately 37.5% of the net proceed from the Rights Issue) for general working capital of the Group and financing any future business opportunities as may be identified by the Company.

The Company would like to provide supplementary information in relation to the intended use of proceeds of the Rights Issue as follows:

INTENDED USE OF PROCEEDS FOR REPAYMENT OF BORROWINGS

The unaudited consolidated borrowings of the Group as at 30 November 2016 was approximately HK\$167.13 million, breakdown of which is set out below:

| Debts | Outstanding balances loans (approximately) | Annual interest rate | Lenders | Due dates |
|-------|---|-------------------------|---|----------------|
| A | RMB3 million (equivalent to approximately HK\$3.37 million) | 8.27% | Linli SRCB Rural Bank | December 2016 |
| B | RMB30.00 million (equivalent to approximately HK\$33.69 million) | 5.22% | Huarong Xiangjiang Bank | January 2017 |
| C | HK\$20.00 million | 12% | First Credit Limited | March 2017 |
| D | HK\$47.82 million | 14% | VIP Credit Limited | March 2017 |
| E | RMB2 million (equivalent to approximately HK\$2.25 million) | 7.53% | Linli SRCB Rural Bank | April 2017 |
| F | HK\$20.00 million | 12% | First Credit Limited | April 2017 |
| G | HK\$20.00 million | 12% | Sun Fung Capital Limited | June 2017 |
| H | HK\$20.00 million | 7% | Hong Kong Tamron Group Company Limited | September 2017 |
| Total | <u>HK\$167.13 million</u> | | | |

To the best knowledge, information and belief of the Directors, having made reasonable enquiry, the abovementioned lenders and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Company intends to utilise part of the net proceeds amounting to approximately HK\$87.82 million to settle debts C, D and F.

The unaudited consolidated cash and bank balances of the Group as at 30 November 2016 amounted to approximately HK\$271.13 million, out of which approximately HK\$265.74 million were held by the operating subsidiaries in the PRC. Such balance was reserved for acquiring biological assets and as working capital to support the operations of slaughter house and breeding farms in Hunan Province, the PRC, for the future 12 months. Given that the transfer of cash from the PRC to Hong Kong is subject to the PRC foreign exchange control, the Board is of the view that the Group is recently of limited ability to effectively reallocate the cash held by the PRC subsidiaries.

INTENDED USE OF PROCEEDS FOR GENERAL WORKING CAPITAL

The Group intends to utilise approximately HK\$17.58 million for paying the general administrative expenses for the next 12 months which mainly include finance costs of approximately HK\$8.67 million, legal and professional fees of approximately HK\$3.24 million, staff and related costs of approximately HK\$2.45 million, rental and office expenses of approximately HK\$0.82 million and other administrative expenses of approximately HK\$2.40 million.

The Group intends to maintain higher level of cash and bank balances in Hong Kong in order to enhance the flexibility in identifying potential business opportunities by retaining additional cash of approximately HK\$35.13 million. As at the date of this announcement, the Company is still in the progress of exploring potential business opportunities and has not identified or in discussion of any potential investment.

The Board is of the view that it is not desirable to conduct fund raising only when there is immediate need of funds as the cost of fund raising by then may be higher, and/or there are uncertainties as to whether the Group will be able to raise the amount of funding required based on its then business development, which may depend on the then prevailing market conditions. The Rights Issue would allow the Group to: i) reduce the uncertainty over the Company's financial position to repay part of the outstanding balance of such borrowings which incur high interest rate; ii) strengthen the Group's capital base and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company; and iii) provide the Group with flexibility in identifying potential investment opportunities.

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

Hong Kong, 28 December 2016

In this announcement, translation of RMB into HK\$ based on the exchange rate of RMB1 to HK\$1.123. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

As at the date of this announcement, the Board comprises Mr. Ding Biyan, Mr. Chan Chi Ching, Dr. Liu Ta-pei and Ms. Lam Ka Lee as executive Directors; and Mr. Ma Yiu Ho, Peter, Mr. Deng Jinping, Mr. Liao Xiujian and Mr. Wong King Shiu, Daniel as independent non-executive Directors.