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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)**

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the prospectus of the Company in relation to Rights Issue dated 9 January 2017, the announcements of the Company in relation to the Placing dated 21 September 2018, 5 October 2018 and 15 October 2018, its announcement for the annual results for the year ended 31 December 2017 dated 16 March 2018 and its announcement for the interim results for the six months ended 30 June 2018 dated 28 August 2018 (“**Prospectus and Announcements**”).

The Board would like to clarify and/or supplement some of the matters referred to in the Prospectus and Announcements. Unless the context otherwise requires, the capitalized terms used herein shall have the same meanings as defined in the Prospectus and Announcements.

#### **RIGHTS ISSUE**

As announced in the prospectus of the Company in relation to Rights Issue dated 9 January 2017, the Group at the time intended 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 from the proceeds of the Rights Issue.

Subsequent to the Rights Issue, the Company attempted to invest the HK\$35.13 million which was raised and reserved for future business opportunities as announced. However, no suitable business opportunities were identified. The Board at the time took the view that it would be in the interest of the Company to utilize the funds by way of securities investment with the aim of generating short term return than leaving the funds idle. Consequently, after the Rights Issue, as announced previously by the Company, around HK\$17.98 million of the said sum of HK\$35.13 million was used by the Group to acquire equity securities listed in Hong Kong.

The Board would also add that at the time of the Rights Issue, the Company did not have any plan for fund raising in the next 12 months. However, in August 2017, by reason of the circumstances, financial need of the Company and the market conditions at the time, the Board was of the view that it would be in the interest of the Company to seek financing by way of external borrowing in order to further facilitate its operation, and decided to take out the Loan as a result (as to be elaborated below).

## **PLACING**

As announced in the Placing announcement of the Company dated 21 September 2018 (“**Placing Announcement**”), at the material time, the Board intended to utilize the net proceeds of the Placing for (a) repayment of the outstanding loan in a sum of HK\$21,500,000 which was due and matured on 21 August 2018; and (b) general working capital and administrative expenses of the Company of approximately HK\$5,088,000. Particulars of the above intended uses are as follows:-

### **Outstanding Loan**

On 21 August 2017, the Company entered into a loan agreement with a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), an independent third party (as defined by the Listing Rules), under which the Company was provided with a loan facility for a maximum sum of HK\$20,000,000 available from 21 August 2017 and expiring on the 20 September 2017 at an interest rate of 30% per annum (“**Loan**”). The Loan was being made on 21 August 2017 and matured on 21 August 2018. The Loan was used for the Company’s general working capital. The Directors at the time were of the view that the taking out of the Loan was in the interest of the Company and its Shareholders to meet the Company’s short term and urgent financial need. It was the view of the Directors that the terms of the Loan, based on the circumstances at the time, were fair and reasonable.

## General working capital needs

At the time of the Placing Announcement, it was estimated that approximately HK\$5,088,000 of the Placing proceeds would be applied towards the below working capital and administrative expenses of the Company for the next 12 months:-

	<i>HK\$</i> <i>(per month)</i>	<i>HK\$</i> <i>(per year)</i>
Staff costs	359,500	4,314,000
Office rent	95,000	1,140,000
Professional fees	246,300	<u>2,955,600</u>
<b>Total</b>		<b><u>8,409,600</u></b>

The Board would also supplement that, before its decision to proceed with the Placing, it considered the possibility of utilizing the cash of the Group held in the PRC at the time, and explored different possible ways through which this could be done, such as by way of dividend payment or intra-Group loans. These methods, however, were subject to restrictions under PRC's applicable financial regulations, and may potentially impose tax liabilities on the Group's relevant PRC subsidiaries.

The Board also considered the possibility of realizing the securities held by the Company at the time (as to be elaborated below) to provide for the relevant working capital needs. However, by reason of the unexpected recession of securities market, the Board came to the view that it would be in the best interest of the Shareholders and the Company for the funds to be raised by way of Placing.

As of the date of this Announcement, the working capital and administrative expenses are financed by the external borrowings and the proceeds from disposals of the Company's financial assets.

## CASH POSITIONS OF THE GROUP

As announced in the annual results announcement of the Company for the year ended 31 December 2017 dated 16 March 2018, as of 31 December 2017, the Group had approximately RMB349,780,000 as bank balances and cash, which were held in the PRC and Hong Kong.

During the financial year ended 31 December 2017, the interest rates applicable to the Group's PRC and Hong Kong bank balances at that time were respectively 0.3–0.35% and 0.01%. Approximately RMB0.9 million and HK\$50 were respectively earned as bank interest.

According to the unaudited interim results announcement of the Company for the six months ended 30 June 2018 dated 28 August 2018, as of 30 June 2018, the Group had approximately RMB302,214,000 as bank balances and cash, of which approximately RMB302 million was held in the PRC and HKD0.3 million was held in Hong Kong.

During the 6 months ended 30 June 2018, the interest rates applicable to the Group's PRC and Hong Kong bank balances at that time were respectively 0.3–0.35% and 0.01%. Approximately RMB0.7 million and HK\$23 were respectively earned as bank interest.

According to the information available to the Board, there was net cash outflow during the period between 30 June 2018 and 30 September 2018. This was mainly attributable to (i) the Group's general working capital needs; (ii) purchase of hogs; (iii) expansion and improvement of facilities in the Group's slaughterhouses and breeding farms. Based on the unaudited management accounts of the Company, as of 30 September 2018, the Group had approximately RMB56 million as bank balances and cash.

## **ACQUISITION OF FINANCIAL ASSETS**

The Board would also like to announce that the Company has acquired equity securities listed in Hong Kong for the purpose of investment. As of 30 June 2018, the balance of these financial assets was approximately HK\$50,423,870, which was reduced to approximately HK\$40,004,760 as of 31 December 2018 based on the latest unaudited management accounts of the Company. Such decline was primarily due to decline in the Hong Kong capital market.

Despite securities trading was not a business segment of the Company, the Board took the view that acquiring those financial assets would provide the Company with an opportunity to generate return in the short-term with the then idle cash, and considered this to be in the interest of the Company and its Shareholders.

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

Hong Kong, 26 February 2019

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