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Huasheng International Holding Limited

華盛國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



凱基證券
KGI ASIA

On 16 October 2020 (after trading hours of the Stock Exchange), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 130,000,000 Placing Shares at the Placing Price of HK\$0.64 per Placing Share to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 7 August 2020.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) approximately 3.94% of the existing issued share capital of the Company of 3,303,060,558 Shares as at the date of this announcement; and (ii) approximately 3.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$1,300,000.

The Placing Price of HK\$0.64 per Placing Share represents a discount of approximately 17.95% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.78 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.78 in the last five trading days prior to the date of the Placing Agreement.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$83.2 million and HK\$80.5 million respectively. On such basis, the net issue price will be approximately HK\$0.62 per Placing Share.

Since completion of the Placing is subject to the fulfilment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 16 October 2020 (after trading hours of the Stock Exchange), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 130,000,000 Placing Shares at the Placing Price of HK\$0.64 per Placing Share to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The principal terms of the Placing Agreement are set out below.

THE PLACING AGREEMENT

Date

16 October 2020 (after trading hours of the Stock Exchange)

Issuer

The Company

Placing Agent

KGI Asia Limited, an Independent Third Party

Pursuant to the terms of the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 130,000,000 Placing Shares to independent Placees. The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable based on current market conditions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing commission

The Placing Agent will charge the Company a placing commission equivalent to 3% of the aggregate Placing Price for the Placing Shares successfully placed by the Placing Agent plus any other out-of-pocket expenses by the Placing Agent in relation to the Placing.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares to not less than six Placees, who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) approximately 3.94% of the existing issued share capital of the Company of 3,303,060,558 Shares as at the date of this announcement; and (ii) approximately 3.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$1,300,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon allotment and issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.64 per Placing Share represents a discount of approximately 17.95% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.78 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.78 in the last five trading days prior to the date of the Placing Agreement.

The Placing Price of the Placing was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing is in the interests of the Company and the Shareholders as a whole.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds (after deducting placing commission and other relevant costs and expenses) from the Placing will be approximately HK\$83.2 million and HK\$80.5 million respectively. On such basis, the net issue price will be approximately HK\$0.62 per Placing Share.

General Mandate to allot and issue of the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 660,612,111 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to approximately 19.68% upon the allotment and issue of the 130,000,000 Placing Shares.

Application for listing of Placing Shares

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Condition of the Placing Agreement

Completion of the Placing is conditional upon fulfilment of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares and such listing and permission not subsequently being revoked; and
- (b) all necessary consents and approvals to be obtained on the part of the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (c) there shall not have occurred any material breach or any event which renders any of the representations, warranties or undertakings by the Company under the Placing Agreement untrue, inaccurate or misleading; and
- (d) the Placing Agreement not being terminated by the Placing Agent.

The Company shall use its best endeavours to procure the satisfaction of the above conditions on or before 30 October 2020 or such later date as agreed between the Company and the Placing Agent in writing (the “**Long Stop Date**”). If any of the above conditions is not satisfied on or before the Long Stop Date, all rights, obligations and liabilities of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and neither the Placing Agent nor the Company shall have any claim against the other in relation to the Placing Agreement (save in respect of (i) any antecedent breaches of any obligation thereunder; and (ii) any liabilities in respect of the representations and warranties made by the Company, undertakings by the Placing Agent, indemnity and reimbursements under the Placing Agreement).

Completion of the Placing

Completion of the Placing shall take place on the third Business Day after the fulfilment of the above conditions precedent or on such other date as the Company and the Placing Agent may agree in writing.

Termination

The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the date of completion of the Placing if, in the reasonable opinion of the Placing Agent, after consultation with the Company:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in this announcement and the previously published announcements by the Company has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (5) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days (other than as a result of or in connection with the Placing); or

- (6) any event of force majeure (being an event beyond the control of the parties and which is unforeseeable or unavoidable), including but without limiting the generality hereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties under the Placing Agreement; or
- (7) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the Cayman Islands or Hong Kong and if in the reasonable opinion of the Placing Agent any such new law or change would materially and adversely affect the business or financial prospects of the Group taken as a whole and/or have an adverse impact on the success of the Placing; or
- (8) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group taken as a whole and which in the reasonable opinion of the Placing Agent would materially prejudice the success of the Placing.

Upon termination of the Placing Agreement as described above, all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of (i) any antecedent breach of any obligation under the Placing Agreement; and (ii) any liabilities in respect of the representations and warranties made by the Company, undertakings by the Placing Agent, indemnity and reimbursements.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Since completion of the Placing is subject to the fulfilment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in (i) production and sale of ready-mixed concrete; (ii) wholesale and retail of household consumables; (iii) education business; and (iv) provision of money lending services.

It is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$83.2 million and HK\$80.5 million respectively. The net proceeds from the Placing are intended to be used for partial repayment of the principal and accrued interest of the convertible bonds in the outstanding principal amount of HK\$85,000,000 (the **“Convertible Bonds”**).

The Directors consider that the Placing will provide additional funding to reduce its indebtedness so as to improve the gearing ratio and will strengthen the Group’s financial position.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities for the 12 months immediately before the date of this announcement:

- (1) A private placing of 152,800,000 Shares at an issue price of HK\$0.46 per Share as stated in the announcements of the Company dated 21 October 2019 and 11 November 2019. The net proceeds of approximately HK\$68,000,000 were intended to apply as to (i) approximately HK\$28,000,000 for payment of interest of the Convertible Bonds; and (ii) approximately HK\$40,000,000 for funding the acquisition of the remaining 80% of the issued share capital of Alpha Youth Limited. The Company has utilised all net proceeds as intended; and
- (2) A private placing of 160,000,000 Shares at an issue price of HK\$0.44 per Share as stated in the announcements of the Company dated 7 January 2020 and 23 January 2020. The net proceeds of approximately HK\$67,300,000 were intended to apply as to (i) approximately HK\$30,000,000 for general working capital; and (ii) approximately HK\$37,300,000 for repayment of bonds and its accrued interest and the interest of the Convertible Bonds. The Company has utilised all net proceeds as intended.

Save as disclosed above, the Company had not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing (subject to completion of the Placing and assuming that there is no other change in the shareholding structure of the Company before the allotment and issue of the Placing Shares under the Placing) are set out below:

Shareholders	As at the date of this announcement		Immediately upon completion of the Placing	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Twin Star Global Limited (<i>Note 1</i>)	458,806,000	13.89%	458,806,000	13.36%
Zhou Fengtang	320,000,000	9.69%	320,000,000	9.32%
Mr. Wong Wai Sing (<i>Note 1</i>)	22,694,000	0.69%	22,694,000	0.66%
Mr. Chan Kin Lung (<i>Note 2</i>)	10,000,000	0.30%	10,000,000	0.29%
The Placees	–	–	130,000,000	3.79%
Other public Shareholders	2,491,560,558	75.43%	2,491,560,558	72.58%
Total:	<u>3,303,060,558</u>	<u>100.00%</u>	<u>3,433,060,558</u>	<u>100.00%</u>

Notes:

1. Twin Star Global Limited (“**Twin Star**”) beneficially owns 458,806,000 Shares. Twin Star is wholly and beneficially owned by Mr. Wong Wai Sing, the chairman and executive director of the Company.
2. Mr. Chan Kin Lung is an executive Director.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company convened on 7 August 2020
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors

“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours and the Stock Exchange is open for business of dealing in securities throughout its normal trading hours
“Company”	Huasheng International Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 1323)
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	Director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to allot, issue or deal with 660,612,111 Shares, being 20% of the number of issued Shares as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons and is not acting in concert (as defined in the Codes on Takeovers and Mergers) with any of the connected persons of the Company or any of their respective associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporates, institutional investors or other investors to be procured and selected by the Placing Agent in its sole discretion to subscribe for any of the Placing Shares

“Placing”	the offer by way of private placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s) on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	KGI Asia Limited, a licensed corporation to carry on type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the exclusive agent of the Company to the Placing
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 16 October 2020 in relation to the Placing
“Placing Price”	HK\$0.64 per Placing Share
“Placing Shares”	an aggregate of up to 130,000,000 new Shares to be placed pursuant to the Placing Agreement and each a “Placing Share”
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company and each a “Share”
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Huasheng International Holding Limited
Wong Wai Sing
Chairman and Executive Director

Hong Kong, 16 October 2020

As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chan Kin Lung and Mr. Wong Jeffrey; and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James.