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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF DIGISMART (GROUP) LIMITED**

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 27 July 2020 in relation to the 2020 Disposal Agreement dated 15 June 2020 and entered into between an indirectly wholly-owned subsidiary of the Company (i.e. the Target Company) and the Purchaser, pursuant to which the Group disposed of the entire issued share capital in Sino Digital Media (Overseas) Limited at a total consideration of HK\$30 million, which is principally engaged in the provision of digital technology services. Completion of the said disposal took place on 27 July 2020.

#### **THE DISPOSAL**

On 10 March 2021 (after trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares at the Consideration of HK\$40 million, of which HK\$4 million shall be satisfied in cash as refundable deposit within five (5) Business Days from the date of the Disposal Agreement and the remaining balance of HK\$36 million shall be satisfied by the issue of the Promissory Note in the sum of HK\$36 million by the Purchaser upon Completion.

## **THE LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Given that the Purchaser is the purchaser in both the 2020 Disposal Agreement and the Disposal Agreement, the transactions contemplated under the 2020 Disposal Agreement are aggregated with the Disposal Agreement pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the 2020 Disposal Agreement and the Disposal Agreement (on an aggregated basis) are 5% or more but less than 25%, the transactions contemplated under the 2020 Disposal Agreement and the Disposal Agreement (on an aggregated basis) constitute a discloseable transaction on the part of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## **THE DISPOSAL AGREEMENT**

Set out below are the principal terms of the Disposal Agreement:

### **Date**

10 March 2021

### **Parties**

Purchaser: Creative Sino Holdings Limited

Vendor: Virtual Garden Investments Limited, a direct wholly-owned subsidiary of the Company

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is wholly-owned by Ms. Sun Jing; and (ii) save for the 2020 Disposal Agreement, the Purchaser and its ultimate beneficial owner are Independent Third Parties. The Purchaser is principally engaged in investment holding.

### **Asset to be disposed of**

Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company.

### **Consideration**

The Consideration for the sale and purchase of the Sale Shares shall be in the sum of HK\$40 million, of which HK\$4 million shall be satisfied in cash as refundable deposit within five (5) Business Days from the date of the Disposal Agreement and the remaining balance of HK\$36 million shall be satisfied by the issue of the Promissory Note in the sum of HK\$36 million by the Purchaser upon Completion.

The Consideration was arrived at after arm's length negotiation and on normal commercial terms, with reference to (i) the amount of the Debt to be waived pursuant to the Deed of Waiver upon Completion, which amounts to approximately HK\$23.8 million as at the date of this announcement; and (ii) the unaudited consolidated net asset of the Target Company. The Board considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Disposal of approximately HK\$39.5 million is intended to be utilised as general working capital of the Group.

## **Principal terms of the Promissory Note**

Set out below are the principal terms of the Promissory Note:

|                  |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer           | : | The Purchaser                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Principal amount | : | HK\$36 million                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Issue date       | : | Completion Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Maturity date    | : | The date falling on the first anniversary of the Completion Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Interest rate    | : | Zero coupon                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Security         | : | The obligations of the Purchaser under the Promissory Note are secured by the Share Charge                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Early redemption | : | The Purchaser may redeem all or part of the outstanding principal amount of the Promissory Note at any time from the issue date up to the day immediately prior to the maturity date by serving not less than ten (10) Business Days' prior written notice to the holder of the Promissory Note, provided that each redemption shall be made in the principal amount of not less than HK\$1,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Note is less than HK\$1,000,000) |
| Transferability  | : | The Promissory Note may, with five (5) Business Days' prior notice in writing to the Purchaser of the Vendor's intention to transfer or assign the Promissory Note, be freely transferable and assignable by the Vendor to any other person                                                                                                                                                                                                                                                                                            |

## **The Debt and the Deed of Waiver**

As at the date of this announcement, the Vendor is indebted to the Target Company in the amount of approximately HK\$23.8 million.

Pursuant to the Disposal Agreement, at Completion, the Vendor and the Target Company shall enter into the Deed of Waiver, pursuant to which the Target Company shall release, acquit and discharge the Vendor (including its successors and assigns) from any and all liability of any nature whatsoever and from any and all claims, demands, causes of actions or liens of any nature whatsoever arising out of or in connection with the Debt.

## **Share Charge**

To secure the due and punctual performance of the obligations of the Purchaser under the Disposal Agreement and the Promissory Note, upon Completion, the Purchaser shall execute the Share Charge, pursuant to which the Purchaser shall charge all the Sale Shares in favour of the Vendor.

## **Completion**

Completion shall take place on the Completion Date.

## **INFORMATION OF THE TARGET GROUP**

As at the date of this announcement, the Target Group consists of the Target Company, Huge Step, Smart Education HK and Smart Education PRC.

### **The Target Company**

The Target Company is an investment holding company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Vendor.

### **Huge Step**

Huge Step is an investment holding company incorporated in the BVI with limited liability and is a direct wholly-owned subsidiary of the Target Company.

### **Smart Education HK**

Smart Education HK is a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of Huge Step. As at the date of this announcement, Smart Education HK is principally engaged in education business and its related services in Hong Kong and Macau.

### **Smart Education PRC**

Smart Education PRC is a company established in the PRC with limited liability, which is a direct wholly-owned subsidiary of Smart Education HK. As at the date of this announcement, Smart Education PRC is principally engaged in education business and its related services in the PRC.

## Financial Information of the Target Group

Set out below is a summary of the key financial information of the Target Group based on its unaudited consolidated management accounts for the financial years ended 31 March 2019 and 2020 which were prepared in accordance with the generally accepted accounting principles in Hong Kong:

|                 | <b>For the year<br/>ended 31 March<br/>2019<br/><i>HK\$'000</i></b> | <b>For the year<br/>ended 31 March<br/>2020<br/><i>HK\$'000</i></b> |
|-----------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Revenue         | 16,722                                                              | 10,312                                                              |
| Loss before tax | 504                                                                 | 12,741                                                              |
| Loss after tax  | 859                                                                 | 10,573                                                              |

The unaudited consolidated net asset of the Target Group as at 31 December 2020 was approximately HK\$38.3 million.

## FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Target Group are indirect wholly-owned subsidiaries of the Company. Upon Completion, the Target Group will cease to be subsidiaries of the Company and the Company will cease to have any interest in the Target Group. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

Based on the Consideration of HK\$40 million, the estimated professional fees attributable to the Disposal of approximately HK\$0.5 million, the unaudited consolidated net asset of the Target Group of approximately HK\$23.8 million as at 31 December 2020, and the amount of the Debt to be waived pursuant to the Deed of Waiver upon Completion, which amounts to approximately HK\$23.8 million as at the date of this announcement, it is estimated that the Group will record a profit of approximately HK\$25.0 million from the Disposal. Shareholders should note that the actual amount of the gain or loss to be recorded by the Company depends on the net asset/net liability value of the Target Group as at the Completion Date and subject to audit to be performed by the auditors of the Company and therefore may be different from the amount mentioned above.

The aforementioned estimate is for illustration purpose only and does not purport to represent how the financial position of the Group will be after Completion.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Company is an investment holding company. The principal activities of the Group are (i) production and sales of ready-mixed commercial concrete; (ii) wholesale and retail of household consumables; (iii) provision of money lending services; and (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests.

Having considered, among others, (i) the expected disposal gain of approximately HK\$25.0 million as set out in the section headed “Financial effect of the Disposal” in this announcement; and (ii) the unsatisfactory financial performance of the Target Group as set out in the paragraph headed “Financial information of the Target Group” under the section headed “Information of the Target Group” in this announcement, the Board considers that the Disposal is a good opportunity for the Group to realise from its investment and can focus on other profit making segments, and is of the view that the Disposal is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Given that the Purchaser is the purchaser in both the 2020 Disposal Agreement and the Disposal Agreement, the transactions contemplated under the 2020 Disposal Agreement are aggregated with the Disposal Agreement pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the 2020 Disposal Agreement and the Disposal Agreement (on an aggregated basis) are 5% or more but less than 25%, the transactions contemplated under the 2020 Disposal Agreement and the Disposal Agreement (on an aggregated basis) constitute a discloseable transaction on the part of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

|                           |                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “2020 Disposal Agreement” | the sale and purchase agreement dated 15 June 2020 and entered into between an indirectly wholly-owned subsidiary of the Company (i.e. the Target Company) as vendor and the Purchaser as purchaser, pursuant to which the Group disposed of the entire issued share capital in Sino Digital Media (Overseas) Limited at a total consideration of HK\$30 million |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



|                   |                                                                                                                                                                                                                                                                                                                                                 |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board”           | board of the Directors                                                                                                                                                                                                                                                                                                                          |
| “Business Day(s)” | a day (other than a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours                                                |
| “BVI”             | the British Virgin Islands                                                                                                                                                                                                                                                                                                                      |
| “Company”         | Huasheng International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 1323)                                                                                                                                   |
| “Completion”      | completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement                                                                                                                                                                                                                                                |
| “Completion Date” | the date of Completion which shall be any day on or before 31 March 2021 (or such other date as shall be agreed in writing between the parties to the Disposal Agreement)                                                                                                                                                                       |
| “Consideration”   | the consideration payable by the Purchaser for the Disposal, which amounts to HK\$40 million                                                                                                                                                                                                                                                    |
| “Debt”            | all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which amounts to approximately HK\$23.8 million as at the date of this announcement |
| “Deed of Waiver”  | the deed of waiver in respect of the Debt to be made between the Vendor and the Target Company on the Completion Date                                                                                                                                                                                                                           |
| “Director(s)”     | director(s) of the Company                                                                                                                                                                                                                                                                                                                      |
| “Disposal”        | the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Disposal Agreement                                                                                                                                                                                                                                      |



|                                |                                                                                                                                                                                                                                                       |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Disposal Agreement”           | the unconditional sale and purchase agreement dated 10 March 2021 entered into between the Purchaser and the Vendor relating to the Disposal                                                                                                          |
| “Group”                        | the Company and its subsidiaries                                                                                                                                                                                                                      |
| “HK\$”                         | Hong Kong dollar(s), the lawful currency of Hong Kong                                                                                                                                                                                                 |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                |
| “Huge Step”                    | Huge Step Management Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement                                                                     |
| “Independent Third Party(ies)” | independent third party(ies) who is(are) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)                                                                                                |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time                                                                                                                                                      |
| “PRC”                          | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan                                                                                         |
| “Promissory Note”              | zero coupon promissory note to be issued by the Purchaser on Completion in the principal amount of HK\$36 million                                                                                                                                     |
| “Purchaser”                    | Creative Sino Holdings Limited, a company incorporated in the BVI with limited liability                                                                                                                                                              |
| “Sale Shares”                  | 11,000 issued shares of US\$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company                                                                                                  |
| “Share(s)”                     | ordinary shares of HK\$0.01 each in the share capital of the Company                                                                                                                                                                                  |
| “Share Charge”                 | share charge to be created by the Purchaser upon Completion to charge all the Sale Shares in favour of the Vendor to secure the due and punctual performance of the obligations of the Purchaser under the Disposal Agreement and the Promissory Note |

|                       |                                                                                                                                                                                                                                                     |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Shareholder(s)”      | holder(s) of the issued Share(s)                                                                                                                                                                                                                    |
| “Smart Education HK”  | Smart Education Company Limited 聰穎教育有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement                                                     |
| “Smart Education PRC” | 聰穎教育諮詢服務（深圳）有限公司（Smart Education Consultancy Services (Shenzhen) Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                             |
| “Target Company”      | DigiSmart (Group) Limited 博穎（集團）有限公司, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement                                                           |
| “Target Group”        | the Target Company and its subsidiaries                                                                                                                                                                                                             |
| “US\$”                | United States dollar(s), the lawful currency of the United States of America                                                                                                                                                                        |
| “Vendor”              | Virtual Garden Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company                                                                                                           |
| “%”                   | per cent.                                                                                                                                                                                                                                           |

*# the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

By order of the Board  
**Huasheng International Holding Limited**  
**Wong Jeffrey**  
*Executive Director*

Hong Kong, 10 March 2021

*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.*