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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 AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE EQUITY INTEREST IN S&J DISTRIBUTION LIMITED

THE DISPOSAL

On 28 September 2022 (after trading hours), the Vendor, a direct wholly owned subsidiary of the Company, entered into the Share Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Equity at the consideration of GBP1.9 million (which is equivalent to approximately HK\$16.2 million).

Upon Completion, the Target Company will cease to be a subsidiary of the Company, the Group will cease to have any interests in the Target Group and the financial results of the Target Group will cease to be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Purchaser is wholly owned by Mr. Williams, the director of the Target Company, being a wholly owned subsidiary of the Company as at the date of this announcement, the Purchaser is an associate (as defined under the Listing Rules) of the director of the Target Company and therefore a connected person of the Company at the subsidiary level and the Share Purchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Directors have approved the Disposal and the Directors (including the independent non-executive Directors) confirmed that the terms of the Disposal contemplated under the Share Purchase Agreement are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Share Purchase Agreement is only subject to reporting and announcement but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

On 28 September 2022 (after trading hours), the Vendor, a direct wholly owned subsidiary of the Company, entered into the Share Purchase Agreement with the Purchaser in respect of the Disposal.

SHARE PURCHASE AGREEMENT

Date:

28 September 2022

Parties:

- (i) the Vendor, as seller; and
- (ii) the Purchaser, as purchaser

The Purchaser is wholly owned by Mr. Williams, the director of the Target Company, being a wholly owned subsidiary of the Company as at the date of this announcement. The Purchaser is therefore a connected person of the Company at the subsidiary level.

Subject of the Disposal

The Vendor agreed to sell and the Purchaser agreed to purchase the Sale Equity, which represents 100% equity interest in the Target Company. As at the date of this announcement, the Target Company is an indirect wholly owned subsidiary of the Company.

Consideration and payment terms

The consideration shall be GBP1.9 million (which is equivalent to approximately HK\$16.2 million). Payment of the consideration shall be satisfied in the following manner:

- (a) GBP1.7 million on the date of Completion; and
- (b) GBP0.2 million (the “**Deferred Payment**”) shall be payable on (i) 10 working days following service of notice by the Purchaser specifying it wishes to serve the Deferred Payment or (ii) the Deferred Payment Date, whichever is earlier. The Group shall receive an interest rate of 3% per annum on the Deferred Payment payable bi-annually every 6 months from the date of Completion and calculated from the date of Completion to the date when the Deferred Payment is settled.

Basis of the consideration

The consideration was determined after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms and with reference to the net assets value of the Target Company as at 31 July 2022. The Directors consider the consideration of the Disposal to be fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Completion

Completion shall take place on the date of completion of the transfer and registration procedures of the Sale Equity. Upon Completion, the Target Company will cease to be a subsidiary of the Company, the Group will cease to have any interests in the Target Group and the financial results of the Target Group will cease to be consolidated into the accounts of the Group.

INFORMATION ON THE GROUP AND THE VENDOR

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its subsidiaries are principally engaged in (i) production and sales of ready-mixed commercial concrete; (ii) wholesale and retail of household consumables; and (iii) provision of money lending services.

The Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in England and Wales with limited liability and ultimately owned as to 100% by Mr. Williams.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in England and Wales with limited liability and is principally engaged in wholesale and retail of household consumables in Skipton, UK. As at the date of this announcement, the Target Company is wholly owned by the Vendor. The Target Company holds 100% equity interest in S&J Polythene, a company incorporated and registered in England and Wales with limited liability and a dormant company with no business operation since incorporation. In accordance with UK Companies Act 2006, S&J Polythene is exempted from preparation of financial statements and the Target Company is exempted from preparation of consolidated financial statements.

A summary of the audited financial statements of the Target Company for the two years ended 31 March 2021 and 2022 is set out below:

	For the year ended 31 March	
	2021	2022
	<i>GBP</i>	<i>GBP</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Profit before taxation	342,879	595,930
Profit after taxation	276,760	480,844

The unaudited net assets value of the Target Company as at 31 July 2022 was approximately GBP1.8 million (which is equivalent to approximately HK\$15.3 million).

FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will cease to be consolidated into the accounts of the Group. With reference to the net assets value of the Target Company of approximately GBP1.8 million (which is equivalent to approximately HK\$15.3 million) as at 31 July 2022 and the goodwill and the reclassification adjustment of exchange reserve on disposal of Target Group in relation to the household consumable business, it is estimated that a net loss before taxation from the Disposal is approximately HK\$15.9 million. The actual gain or loss on the Disposal may differ from the above and is subject to the review and final audit by the Company's auditor.

It is expected that the net proceeds from the Disposal will be used for general working capital of the Group and to finance any future investment opportunities when they arise.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group is principally engaged in household consumable business in Skipton, UK. Originally, the Group invested in the Target Company for a stable business development in the UK. However, due to soaring inflation attributable to the rising prices of energy and fuel and a marked reduction in confidence in the UK market, businesses, including the Target Group, faced a deteriorating labour market and persistent elevated price pressures. Furthermore, the British pound has continued to depreciate against US dollar amid the fear of inflation and recession. In view of the uncertainty of the UK market and the prevailing market sentiment, the Directors do not foresee that the Target Group could make a significant improvement and may, on the other hand, request capital needs in the near future as the UK market might be entered into a prolonged recession. Hence, the Directors believe that it is more commercially favourable to dispose the Group's interest in the Target Group.

The Directors also believe that the Disposal could immediately strengthen the cash flow of the Group and allow the Group to restructure and streamline its business operations to allocate its financial resources to the development of the Group's principal businesses and/or pursue other business opportunities.

The terms of the Share Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the Disposal, although not in the ordinary course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Purchaser is wholly owned by Mr. Williams, the director of the Target Company, being a wholly owned subsidiary of the Company as at the date of this announcement, the Purchaser is an associate (as defined under the Listing Rules) of the director of the Target Company and therefore a connected person of the Company at the subsidiary level and the Share Purchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Directors have approved the Disposal and the Directors (including the independent non-executive Directors) confirmed that the terms of the Disposal contemplated under the Share Purchase Agreement are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Share Purchase Agreement is only subject to reporting and announcement but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Huasheng International Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1323)
“Completion”	completion of the Disposal under the Share Purchase Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Deferred Payment Date”	39 months from the date of the Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by the Vendor of the Sale Equity subject to and upon the terms and conditions as set out in the Share Purchase Agreement
“GBP”	British pound sterling, the lawful currency of UK
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, a person or a company which is a third party and independent of the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Williams”	Mr. Michael Peter Williams, the director of the Target Company and the ultimate beneficial owner of the Purchaser
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Spencer Goldsmith Ltd, an investment holding company incorporated in England and Wales with limited liability and ultimately owned as to 100% by Mr. Williams
“Sale Equity”	100% of the equity interest of the Target Company
“Share Purchase Agreement”	the share purchase agreement dated 28 September 2022 entered into between the Vendor and the Purchaser in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&J Polythene”	S&J Polythene and Paper Limited, a company incorporated and registered in England and Wales with limited liability and a direct wholly owned subsidiary of the Target Company
“Target Company”	S&J Distribution Limited, a company incorporated and registered in England and Wales with limited liability and an indirect wholly owned subsidiary of the Company

“Target Group”	the Target Company and S&J Polythene
“UK”	United Kingdom
“Vendor”	Star World International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company
“%”	per cent

For the purpose of illustration only and unless otherwise stated, conversion of GBP into HK\$ in this announcement is based on the exchange rate of GBP1.0 to HK\$8.50. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this rate or any other rate.

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

Hong Kong, 28 September 2022

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.