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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2022
AND
DISCLOSEABLE TRANSACTIONS
PROVISION OF FINANCIAL ASSISTANCE**

**FURTHER INFORMATION IN RELATION TO THE 2021 ANNUAL
REPORT**

Reference is made to the Annual Report dated 24 June 2022. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the subsection “Lending Transaction” under the “Management Discussion and Analysis” section and Note 24 “Loan Receivables” to the consolidated financial statements in the Annual Report, the Board would like to provide the following supplementary information to the shareholders of the Company regarding the loan portfolio of Money Lending Business:

Business Model of the Group's Money Lending Business

The Group's money lending business is managed through the indirectly wholly owned subsidiary, Chengxin Finance, with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Chengxin Finance offers loan financing services to both corporate and individual clients who are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Corporate loans represent loans to corporate clients with business operations in Hong Kong which need loan financing for their corporate needs and individual loans represent loans to individual clients who need loan financing for their personal needs. Chengxin Finance is able to provide loan financing services to individual or corporate clients with greater flexibility when compared to licensed banks and it is established for the purpose of generating interest income by providing loan financing services in Hong Kong. Clients are mainly referred to Chengxin Finance by the senior management of Chengxin Finance and existing clients. There is no specific target loan size and each loan application would be assessed and dealt with based on its own merit. The Group financed its money lending business mainly by internal resources.

Loan Portfolio of Money Lending Business

As at 31 March 2022, before taking into account the impairment loss recognised, the Group had total outstanding loan principal amounts of approximately HK\$241.7 million (2021: HK\$256.0 million). After taking into account the impairment loss recognised in the amount of approximately HK\$55.2 million (among which approximately HK\$49.1 million is in relation to the outstanding loan principal amounts), the Group had total outstanding loan principal amounts of approximately HK\$192.6 million (2021: HK\$207.0 million) which is in relation to 14 (2021: 15) active loan accounts which comprised of 3 corporate loans and 11 individual loans (2021: 3 corporate loans and 12 individual loans). The corporate loans accounted for approximately 20.2% (2021: 18.8%) while individual loans accounted for approximately 79.8% (2021: 81.2%) of the outstanding principal amounts and the average outstanding principal amount per active loan accounts was approximately HK\$13.8 million (2021: HK\$13.8 million) as at 31 March 2022. The interest rate of the outstanding principal amounts of the active loan accounts ranged from 12% to 30% per annum (2021: 12% to 30%). Out of the aggregate outstanding principal amount of HK\$192.6 million of the active loan accounts as at 31 March 2022, collaterals were provided by 5 active loan accounts and thus, approximately HK\$68.0 million (2021: HK\$74.0 million) were collateral-backed by properties in Hong Kong and the PRC and the remaining principal amount of approximately HK\$124.6 million (2021: HK\$133.0 million) were unsecured.

Each loan application will be assessed and dealt with based on its own merit case by case on a qualitative basis. The availability of collateral/guarantee will be a factor to be considered for grant of loans, the interest rate and the term. When assessing loan applications where no collateral is available, the management will consider, among others, income/assets proof and/or repayment ability, in a tight and stringent manner. As a normal practice, the management will conduct the following financial background and credit check (including but not limited to financial position or capital base, identity and background, collaterals (if any), and guarantors (if any)) before loans are granted:

(A) Identity proof – identity documents such as identity card or passport from individuals and business registration certificate and certificate of incorporation from corporate entities is required for verification;

(B) Address proof – such as utility bills, bank/credit card/securities account statements or documents issued by government authority, statutory body and institutions with sound reputation is required to be produced;

(C) Repayment ability assessment – to assess the repayment ability of each client, in addition to the background search, the management also checks the client’s capital base. Further information from the customer may be requested such as bank/securities account statements, financial statements, valuation report (where applicable) and auditor’s report (where applicable); and

(D) Creditworthiness assessment – searches and background checks would be conducted upon potential clients such as media searches.

To safeguard the recoverability, the Group will pay further attention to financial background, assets or capital base, repayment ability and reputation of the borrower when determining the terms of unsecured loans. Chengxin Finance will communicate with and monitor the recoverability of loans and the conditions of the borrowers on a regular and ongoing basis. Any delayed payment or default in material terms in the loan agreement will be reported to the management. Different measures, including but not limited to revision of repayment terms, request for additional collaterals/guarantee, execution of settlement agreement and/or commencement of legal proceedings against the customer to recover any late payment charges and penalty interest, may be taken having considered the normal market practice, the actual circumstances during the credit collection processes and negotiations with relevant customers in order to reduce any possible credit losses.

For the concentration of the Group's loan portfolio as at 31 March 2022, the outstanding loan balance and accrued interest receivables amounts of the top borrower and the top five borrowers amounted to approximately HK\$27.4 million (2021: HK\$36.5 million) and HK\$125.8 million (2021: HK\$131.9 million) respectively, which represented approximately 12% (2021: 15%) and 57% (2021: 53%) of the Group's loan and accrued interest receivables amounts as at 31 March 2022. Out of which, approximately HK\$50.0 million (2021: HK\$55.1 million) or 40% (2021: 42%) of the outstanding loan and accrued interest receivables amounts of the top five borrowers were collateral-backed by properties in the PRC and the interest rate of the top five borrowers ranged from 12% to 24% (2021: 12% to 24%) for the year ended 31 March 2022. Set out below is the summary of the top five borrowers of the money lending business of the Group as at 31 March 2022:

| Client | Type | Background | Relationship (either existing or prior with the Company and its connected person) | Means of introduction to the Group | Term of loan <i>Months</i> | Interest rate <i>Per annum</i> | Latest market value of the collateral <i>HK\$ million</i> <i>(Approximately)</i> | Book value of loan receivables <i>HK\$ million</i> <i>(Approximately)</i> | Accumulated impairment losses <i>HK\$ million</i> <i>(Approximately)</i> | Net amount of loan receivables <i>HK\$ million</i> <i>(Approximately)</i> | Proportion of the Group's total loan receivables <i>%</i> <i>(Approximately)</i> |
|---|------------|-------------|---|------------------------------------|-------------------------------|-----------------------------------|--|---|--|---|--|
| 1st largest client ¹ (i.e. the Borrower A) | Individual | Businessman | Independent third party | By referral | 18 | 24% | N/A | 27 | - | 27 | 12% |
| 2nd largest client ² (i.e. the Borrower B) | Individual | Businessman | Independent third party | By referral | 24 | 12% | 33 | 27 | - | 27 | 12% |
| 3rd largest client ³ (i.e. the Borrower C) | Individual | Businessman | Independent third party | By referral | 24 | 15% | N/A | 25 | - | 25 | 11% |
| 4th largest client ⁴ (i.e. the Borrower D) | Individual | Businessman | Independent third party | By referral | 12 | 16.8% | N/A | 24 | - | 24 | 11% |
| 5th largest client ⁵ (i.e. the Borrower E) | Individual | Businessman | Independent third party | By referral | 24 | 18% | 60 | 23 | - | 23 | 10% |

Notes:

1. The Group performed KYC procedures and understood that the Borrower A is a businessman with a good reputation. Chengxin Finance checked the information obtained against supporting documents (including identity documents, address proof, income proof, asset proof and documents by conducting searches). Having considered the results of our credit assessment including his income proof and asset proof, the management considered the Borrower A had sound repayment ability and determined a loan amount which was considered manageable. The Loan A was granted without collateral while the terms of the loan were determined at arm's length basis and on normal commercial terms.

2. The Group performed KYC procedures and understood that the Borrower B is a businessman. Chengxin Finance checked the information obtained against supporting documents (including identity documents, address proof, asset proof and documents by conducting searches). The Borrower B provided property as collateral and bargained for a better interest rate, the management then assessed the valuation of the collateral for the loan-to-collateral ratio which was considered sufficient and thus, determined a loan amount which was manageable. The latest valuation of the collateral is provided on an annual basis for assessing the recoverability of the Loan B.
3. The Group performed KYC procedures and understood that the Borrower C is a businessman that has an exceptional reputation in the construction industry. Chengxin Finance checked the information obtained against supporting documents (including identity documents, address proof, income proof and asset proof and documents by conducting searches). Having considered the results of our credit assessment including the financial results of his businesses, the management considered the Borrower C had sound repayment ability and determined a loan amount which was considered manageable. The Loan C was granted without collateral while the terms of the Loan C were determined at arm's length basis and on normal commercial terms.
4. The Group performed KYC procedures and understood that the Borrower D is a businessman experienced in a number of industries, including healthcare and hygiene industry and real estate markets. Chengxin Finance checked the information obtained against supporting documents (including identity documents, address proof, asset proof and documents by conducting searches). Having considered the results of our credit assessment including the management accounts of his businesses, the management considered the Borrower D had sound repayment ability and determined a loan amount which was considered manageable. The Loan D was granted without collateral while the terms of the Loan D were determined at arm's length basis and on normal commercial terms.
5. The Group performed KYC procedures and understood that the Borrower E is a businessman. Chengxin Finance check the information obtained against supporting documents (including identity documents, address proof, asset proof and documents by conducting searches). The Borrower E provided property as collateral and bargained for a better interest rate, the management then assessed the valuation of the collateral for the loan-to-collateral ratio which was considered sufficient and thus, determined a loan amount which was considered manageable. The latest valuation of the collateral is provided on an annual basis for assessing the recoverability of the Loan E.

Risk Assessment Committee

The RAC of Chengxin Finance was established in 2018, following the adoption of internal control manual by the board of directors of Chengxin Finance. Chengxin Finance has its own internal control and work procedure in evaluating each loan application and the RAC is responsible for overseeing the compliance and governance matters in Chengxin Finance. The RAC is currently comprised of Mr. Wong Wai Sing, Mr. Wong Jeffrey and Mr. Chan Kin Yip, and their respective qualifications and background are set out in the section headed “Directors and Senior Management” of the Annual Report.

DISCLOSEABLE TRANSACTIONS – PROVISION OF FINANCIAL ASSISTANCE

The (i) provision of the Loan A under the Loan Agreement A and extension of the Loan A under the Supplemental Agreement A; (ii) provision of the Loan B under the Loan Agreement B and extension of the Loan B under the Supplemental Agreement B; (iii) extension of the Loan D under the Supplemental Agreement D; (iv) provision of the Loan E under the Loan Agreement E and extension of the Loan E under the Supplemental Agreement E1 and the Supplemental Agreement E2; (v) extension of the Loan F under the Supplemental Agreement F; (vi) extension of the Loan G under the Supplemental Agreement G; (vii) extension of the Loan H under the Supplemental Agreement H; and (viii) extension of the Loan I1 under the Supplemental Agreement I1 and extension of the Loan I2 under the Supplemental Agreement I2 as aggregated, constituted discloseable transactions under the Listing Rules.

The Provision of Financial Assistance to the Borrower A

The Loan Agreement A

On 29 April 2019, Chengxin Finance as lender, entered into the Loan Agreement A with the Borrower A, pursuant to which Chengxin Finance agreed to provide the Borrower A with the Loan A in the principal amount of HK\$25,000,000.00. The repayment date of the Loan A under the Loan Agreement A was extended by the Supplemental Agreement A to 29 April 2022.

The principal terms of the Loan Agreement A are set out below:

| | | |
|---------------------------|---|--|
| Date | : | 29 April 2019 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower A |
| Principal loan amount | : | HK\$25,000,000.00 |
| Interest rate (per annum) | : | 24% |
| Prepayment | : | The Borrower A may prepay to Chengxin Finance the whole or any part of the Loan A in accordance with the terms of the Loan Agreement A |
| Security | : | The Loan A was unsecured |

The Supplemental Agreement A

On 29 October 2020, Chengxin Finance and the Borrower A entered into the Supplemental Agreement A, pursuant to which, the repayment date of the Loan Agreement A was extended to 29 April 2022. Save as aforesaid, other terms in the Loan Agreement A remained unchanged.

Credit Assessment by the Group before granting the Loan A and its extension thereof

Please refer to the KYC procedures undertaken by the Group as set out in Note 1 to the table under the section headed “Loan Portfolio of Money Lending Business” for the credit assessment by the Group.

Recovery of the Loan A

As at the date of this announcement, Chengxin Finance has collected principal and interests in the total amount of HK\$14,000,000, representing approximately 56.0% of the principal loan amount under the Loan A and its extension thereof. The Loan A has matured on 29 April 2022 and on 1 June 2022, Chengxin Finance issued a demand letter to the Borrower A for recovery of the outstanding principal amount and the interests accrued thereon. On 9 November 2022, Chengxin Finance commenced legal proceedings against the Borrower A for the outstanding amount under the Loan A and full provision will be made on the outstanding amount under the Loan A during the interim period ended 30 September 2022.

The Provision of Financial Assistance to the Borrower B

The Loan Agreement B

On 27 May 2017, Chengxin Finance as lender, entered into the Loan Agreement B with the Borrower B, pursuant to which Chengxin Finance agreed to provide the Borrower B with the Loan B in the principal amount of HK\$24,000,000.00. On each of 10 August 2018, 10 August 2019 and 10 August 2020, the repayment date of the Loan B under the Loan Agreement B was extended to 10 August 2019, 10 August 2020 and 10 August 2022, respectively. The repayment date of the Loan B under the Loan Agreement B was further extended by the Supplemental Agreement B to 10 August 2023.

The principal terms of the Loan Agreement B are set out below:

| | | |
|---------------------------|---|-------------------|
| Date | : | 27 May 2017 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower B |
| Principal loan amount | : | HK\$24,000,000.00 |
| Interest rate (per annum) | : | 12% |

- Prepayment : The Borrower B may prepay to Chengxin Finance the whole or any part of the Loan B in accordance with the terms of the Loan Agreement B
- Security : Loan B is secured by a mortgage in respect of the Housing Rights over a property located in the PRC

The Supplemental Agreement B

On 10 August 2022, Chengxin Finance and the Borrower B entered into the Supplemental Agreement B, pursuant to which, the repayment date of the Loan Agreement B was extended to 10 August 2023. Save as aforesaid, other terms in the Loan Agreement B and/or the extensions thereof remained unchanged.

Credit Assessment by the Group before granting the Loan B and its extensions thereof

Please refer to the KYC procedures undertaken by the Group as set out in Note 2 to the table under the section headed “Loan Portfolio of Money Lending Business” for the credit assessment by the Group.

Recovery of the Loan B

As at the date of this announcement, no impairment was recognised on the Loan B and Chengxin Finance has collected interests in the total amount of HK\$13,104,000, representing approximately 54.6% of the principal loan amount under the Loan B and its extensions thereof. The Loan B has been extended to 10 August 2023 and Chengxin Finance will continue to monitor the recoverability of the Loan B and will issue payment reminder(s) to the Borrower B as and when necessary to recover any outstanding interests under the Loan B, failing which Chengxin Finance may take further legal actions against the Borrower B.

The Provision of Financial Assistance to the Borrower D

The Loan Agreement D

On 11 March 2021, Chengxin Finance as lender, entered into the Loan Agreement D with the Borrower D, pursuant to which Chengxin Finance agreed to provide the Borrower D with the Loan D in the principal amount of HK\$20,000,000.00 for a term of 12 months. The repayment date of the Loan D under the Loan Agreement D was extended by the Supplemental Agreement D to 10 March 2023.

The principal terms of the Loan Agreement D are set out below:

| | | |
|---------------------------|---|-------------------------|
| Date | : | 11 March 2021 |
| Lender | : | Chengxin Finance |
| Borrower | : | the Borrower D |
| Principal loan amount | : | HK\$20,000,000.00 |
| Interest rate (per annum) | : | 16.8% |
| Repayment date | : | 10 March 2022 |
| Security | : | The Loan D is unsecured |

The Supplemental Agreement D

On 11 March 2022, Chengxin Finance and the Borrower D entered into the Supplemental Agreement D, pursuant to which, the repayment date of Loan Agreement D was extended to 10 March 2023. Save as aforesaid, other terms in the Loan Agreement D remained unchanged.

Credit Assessment by the Group before granting the Loan D and its extension thereof

Please refer to the KYC procedures undertaken by the Group as set out in Note 4 to the table under the section headed “Loan Portfolio of Money Lending Business” for the credit assessment by the Group.

Recovery of the Loan D

As at the date of this announcement, no impairment was recognised on the Loan D and Chengxin Finance has collected interests in the total amount of HK\$4,020,000, representing approximately 20.1% of the principal loan amount under the Loan D and its extensions thereof. The Loan D has been extended to 10 March 2023 and Chengxin Finance will continue to monitor the recoverability of the Loan D and will issue payment reminder(s) to the Borrower D as and when necessary to recover any outstanding interests under the Loan D, failing which Chengxin Finance may take further legal actions against the Borrower D.

The Provision of Financial Assistance to the Borrower E

The Loan Agreement E

On 19 May 2017, Chengxin Finance as lender, entered into the Loan Agreement E with the Borrower E, pursuant to which Chengxin Finance agreed to provide the Borrower E with the Loan E in the principal amount of HK\$23,000,000.00. The repayment date of the Loan E under the Loan Agreement E was extended by the Supplemental Agreement E1 to 18 May 2019 and the Supplemental Agreement E2 to 30 May 2021 and on 30 May 2021, was further extended to 30 May 2023.

The principal terms of the Loan Agreement E are set out below:

| | | |
|-----------------------|---|-------------------|
| Date | : | 19 May 2017 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower E |
| Principal loan amount | : | HK\$23,000,000.00 |

| | | |
|---------------------------|---|--|
| Interest rate (per annum) | : | 18% |
| Prepayment | : | The Borrower E may prepay to Chengxin Finance the whole or any part of the Loan E in accordance with the terms of the Loan Agreement E |
| Security | : | The Loan E is secured by a share charge in favour of Chengxin Finance over the entire equity interest of a company established in the PRC and legally and beneficially owned as to 50% by the Borrower E and 50% by an independent third party as security for the performance by the Borrower E of the Loan Agreement E |

The Supplemental Agreement E1

On 19 May 2018, Chengxin Finance and the Borrower E entered into the Supplemental Agreement E1, pursuant to which, the repayment date of the Loan Agreement E was extended to 18 May 2019. Save as aforesaid, all of the terms in the Loan Agreement E remained and continued to be of full force and effect.

The Supplemental Agreement E2

On 22 May 2019, Chengxin Finance and the Borrower E entered into the Supplemental Agreement E2, pursuant to which, the repayment date of the Loan Agreement E was extended to 30 May 2021 and the repayment schedule was amended in accordance with the Supplemental Agreement E2. Save as aforesaid, other terms in the Loan Agreement E and the Supplemental Agreement E1 remained unchanged.

Credit Assessment by the Group before granting the Loan E and its extensions thereof

Please refer to the KYC procedures undertaken by the Group as set out in Note 5 to the table under the section headed “Loan Portfolio of Money Lending Business” for the credit assessment by the Group.

Recovery of the Loan E

As at the date of this announcement, no impairment was recognised on the Loan E and Chengxin Finance has collected principal and interests in the total amount of HK\$19,556,000, representing approximately 85.0% of the principal loan amount under the Loan E and its extensions thereof. The Loan E has been extended to 30 May 2023 and Chengxin Finance will continue to monitor the recoverability of the Loan E and will issue payment reminder(s) to the Borrower E as and when necessary to recover any outstanding interests under the Loan E, failing which Chengxin Finance may take further legal actions against the Borrower E.

The Provision of Financial Assistance to the Borrower F

The Loan Agreement F

On 12 November 2019, Chengxin Finance as lender, entered into the Loan Agreement F with the Borrower F, pursuant to which Chengxin Finance agreed to provide the Borrower F with the Loan F in the principal amount of HK\$15,000,000.00. The repayment date of the Loan F under the Loan Agreement F was extended by the Supplemental Agreement F to 11 November 2023.

The principal terms of the Loan Agreement F are set out below:

| | | |
|---------------------------|---|--------------------------|
| Date | : | 12 November 2019 |
| Lender | : | Chengxin Finance |
| Borrower | : | the Borrower F |
| Principal loan amount | : | HK\$15,000,000.00 |
| Interest rate (per annum) | : | 18% |
| Repayment date | : | 11 November 2021 |
| Security | : | The Loan F was unsecured |

The Supplemental Agreement F

On 11 November 2021, Chengxin Finance and the Borrower F entered into the Supplemental Agreement F, pursuant to which, the repayment date of the Loan Agreement F was extended to 11 November 2023. Save as aforesaid, all of the terms in the Loan Agreement F remained unchanged.

Credit Assessment by Chengxin Finance before granting the Loan F and its extension thereof

The Group performed KYC procedures and understood that the Borrower F is a businessman with a good reputation. Chengxin Finance checked the information obtained against supporting documents (including identity documents, address proof, asset proof and documents by conducting searches). Having considered the results of our credit assessment including his asset proof, the management considered the Borrower F had sound repayment ability and determined a loan amount which was considered manageable. The loan was granted without collateral while the terms of the loan were determined at arm's length basis and on normal commercial terms.

Recovery of the Loan F

As at the date of this announcement, no impairment was recognised on the Loan F and Chengxin Finance has collected principal and interests in the total amount of HK\$11,000,000, representing approximately 73.3% of the principal loan amount under the Loan F and its extension thereof. The Loan F has been extended to 11 November 2023 and Chengxin Finance will continue to monitor the recoverability of the Loan F and will issue payment reminder(s) to the Borrower F as and when necessary to recover any outstanding interests under the Loan F, failing which Chengxin Finance may take further legal actions against the Borrower F.

The Provision of Financial Assistance to the Borrower G

The Loan Agreement G

On 20 June 2017, Chengxin Finance as lender, entered into the Loan Agreement G with the Borrower G, pursuant to which Chengxin Finance agreed to provide the Borrower G with the Loan G in the principal amount of HK\$15,000,000.00. The repayment date of the Loan G under the Loan Agreement G was extended by the Supplemental Agreement G to 20 June 2019 and on each of 19 June 2019 and 19 June 2020, was further extended to 27 June 2020 and 27 June 2022, respectively.

The principal terms of the Loan Agreement G are set out below:

| | | |
|---------------------------|---|--|
| Date | : | 20 June 2017 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower G |
| Principal loan amount | : | HK\$15,000,000.00 |
| Interest rate (per annum) | : | 12% |
| Repayment date | : | 20 June 2018 |
| Prepayment | : | The Borrower G may prepay to Chengxin Finance the whole or any part of the Loan G in accordance with the terms of the Loan Agreement G |
| Security | : | The Loan G was unsecured |

The Supplemental Agreement G

On 20 June 2018, Chengxin Finance and the Borrower G entered into the Supplemental Agreement G, pursuant to which, the repayment date of the Loan Agreement G was extended to 20 June 2019. Save as aforesaid, all of the terms in the Loan Agreement G remained and continued to be of full force and effect.

Credit Assessment by Chengxin Finance before granting the Loan G and its extension thereof

The Group performed KYC procedures and understood that the Borrower G is a sole proprietor in Hong Kong and engaged in the business of construction, electrical appliances and design. Chengxin Finance checked the information obtained against supporting documents (including business registration certificate, corporate filings, income proof and documents by conducting searches). Having considered the results of our credit assessment including the income proof, the management considered the Borrower G had sound repayment ability and determined a loan amount which was considered manageable. The Loan G was granted without collateral while the terms of the Loan G were determined at arm's length basis and on normal commercial terms.

Recovery of the Loan G

As at the date of this announcement, no impairment was recognised on the Loan G and Chengxin Finance has collected interests in the total amount of HK\$9,000,000, representing approximately 60.0% of the principal loan amount under the Loan G and its extension thereof. The Loan G has matured on 27 June 2022 and on each of 3 August 2022 and 13 October 2022 respectively, Chengxin Finance has issued demand letters to the Borrower G to recover from the Borrower G the outstanding principal amount under the Loan G, failing which Chengxin Finance may take further legal actions against the Borrower G.

The Provision of Financial Assistance to the Borrower H

The Loan Agreement H

On 26 June 2017, Chengxin Finance as lender, entered into the Loan Agreement H with the Borrower H, pursuant to which Chengxin Finance agreed to provide the Borrower H with the Loan H in the principal amount of HK\$15,000,000.00. The repayment date of the Loan H under the Loan Agreement H was extended by the Supplemental Agreement H to 26 June 2019 and on each of 25 June 2019 and 25 June 2020, was further extended to 28 June 2020 and 28 June 2022, respectively.

The principal terms of the Loan Agreement H are set out below:

| | | |
|---------------------------|---|-------------------|
| Date | : | 26 June 2017 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower H |
| Principal loan amount | : | HK\$15,000,000.00 |
| Interest rate (per annum) | : | 12% |
| Repayment date | : | 26 June 2018 |

Prepayment : The Borrower H may prepay to Chengxin Finance the whole or any part of the Loan H in accordance with the terms of the Loan Agreement H

Security : The Loan H was unsecured

The Supplemental Agreement H

On 26 June 2018, Chengxin Finance and the Borrower H entered into the Supplemental Agreement H, pursuant to which, the repayment date of the Loan Agreement H was extended to 26 June 2019. Save as aforesaid, all of the terms in the Loan Agreement H remained and continued to be of full force and effect.

Credit Assessment by Chengxin Finance before granting the Loan H and its extension thereof

The Group performed KYC procedures and understood that the Borrower H is a company incorporated in Hong Kong with limited liability and engaged in the business of decoration and engineering services. Chengxin Finance checked the information obtained against supporting documents (including business registration certificate, corporate filings, income proof and documents by conducting searches). Having considered the results of our credit assessment including the income proof, the management considered the Borrower H had sound repayment ability and determined a loan amount which was considered manageable. The Loan H was granted without collateral while the terms of the Loan H were determined at arm's length basis and on normal commercial terms.

Recovery of the Loan H

As at the date of this announcement, no impairment was recognised on the Loan H and Chengxin Finance has collected principal and interests in the total amount of HK\$12,300,000, representing approximately 82.0% of the principal loan amount under the Loan H and its extension thereof. The Loan H has matured on 28 June 2022 and on each of 1 August 2022 and 11 October 2022 respectively, Chengxin Finance issued demand letters to the Borrower H to recover from the Borrower H the outstanding principal amount under the Loan H, failing which Chengxin Finance may take further legal actions against the Borrower H.

The Provision of Financial Assistance to the Borrower I

The Loan Agreement I1

On 19 March 2018, Chengxin Finance as lender, entered into the Loan Agreement I1 with the Borrower I, pursuant to which Chengxin Finance agreed to provide the Borrower I with the Loan I1 in the principal amount of HK\$5,000,000.00. On each of 19 April 2018 and 31 May 2018, the repayment date of the Loan I1 under the Loan Agreement I1 was extended to 19 May 2018 and 18 July 2018, respectively and was further extended by the Supplemental Agreement I1 to 18 July 2019. The repayment date of the Loan I1 under the Loan Agreement I1 was then further extended on each of 18 July 2019 and 18 July 2020 to 18 July 2020 and 18 July 2022, respectively.

The principal terms of the Loan Agreement I1 are set out below:

| | | |
|---------------------------|---|--|
| Date | : | 19 March 2018 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower I |
| Principal loan amount | : | HK\$5,000,000.00 |
| Interest rate (per annum) | : | 21% |
| Repayment date | : | 19 April 2018 |
| Prepayment | : | The Borrower I may prepay to Chengxin Finance the whole or any part of the Loan I1 in accordance with the terms of the Loan Agreement I1 |
| Security | : | The Loan I1 was secured by |
| | | (i) a mortgage in respect of the Housing Ownership Certificates over two properties located in the PRC; and |

- (ii) a deed of guarantee entered into by an independent third party in favour of Chengxin Finance

The Supplemental Agreement I1

On 18 July 2018, Chengxin Finance and the Borrower I entered into the Supplemental Agreement I1, pursuant to which, the repayment date of the Loan Agreement I1 was extended to 18 July 2019. Save as aforesaid, all of the terms in the Loan Agreement I1 and/or the extensions thereof, remained unchanged.

Recovery of the Loan I1

As at the date of this announcement, the principal amount of the Loan I1 is overdue and on 5 September 2022, Chengxin Finance has issued a demand letter to the Borrower I to recover from the Borrower I the outstanding principal amount under the Loan I1, failing which Chengxin Finance may take further legal actions against the Borrower I.

For details of the total amount of interests collected under the Loan Agreement I1 and the Loan Agreement I2 as aggregated as at the date of this announcement, please refer to the sub-section headed “Recovery of the Loan I1 and the Loan I2 as aggregated” under the section headed “The Provision of Financial Assistance to the Borrower I”.

The Loan Agreement I2

On 19 March 2018, Chengxin Finance as lender, entered into the Loan Agreement I2 with the Borrower I, pursuant to which Chengxin Finance agreed to provide the Borrower I with the Loan I2 in the principal amount of HK\$5,000,000.00. On each of 19 April 2018 and 31 May 2018, the repayment date of the Loan I2 under the Loan Agreement I2 was extended to 19 May 2018 and 18 July 2018, respectively and was further extended by the Supplemental Agreement I2 to 18 July 2019. The repayment date of the Loan I2 under the Loan Agreement I2 was then further extended on each of 18 July 2019 and 18 July 2020 to 18 July 2020 and 18 July 2022, respectively.

The principal terms of the Loan Agreement I2 are set out below:

| | | |
|---------------------------|---|--|
| Date | : | 19 March 2018 |
| Lender | : | Chengxin Finance |
| Borrower | : | The Borrower I |
| Principal loan amount | : | HK\$5,000,000.00 |
| Interest rate (per annum) | : | 30% |
| Repayment date | : | 19 April 2018 |
| Prepayment | : | The Borrower I may prepay to Chengxin Finance the whole or any part of the Loan I2 in accordance with the terms of the Loan Agreement I2 |
| Security | : | The Loan I2 was secured by a deed of guarantee entered into by an independent third party in favour of Chengxin Finance |

The Supplemental Agreement I2

On 18 July 2018, Chengxin Finance and the Borrower I entered into the Supplemental Agreement I2, pursuant to which, the repayment date of the Loan Agreement I2 was extended to 18 July 2019. Save as aforesaid, all of the terms in the Loan Agreement I2 and/or the extensions thereof, remained unchanged.

Credit Assessment by Chengxin Finance before granting the Loan I1 and the Loan I2 and their extensions thereof

The Group performed KYC procedures and understood that the Borrower I is a businesswoman with a good reputation. Chengxin Finance checked the information obtained against supporting documents (including identity documents, asset proof and documents by conducting searches). The Borrower I provided property as collateral under the Loan Agreement I1 and a deed of guarantee was provided by an independent third party for each of the Loan Agreement I1 and the Loan Agreement I2 and the management assessed the valuation of the collateral for the loan-to-collateral ratio which was considered sufficient and thus, determined a loan amount which was considered manageable. The latest valuation of the collateral is provided on an annual basis for assessing the recoverability of the Loan I1 and the Loan I2 as aggregated.

Recovery of the Loan I1 and the Loan I2 as aggregated

As at the date of this announcement, no impairment was recognised on the Loan I1 and Loan I2 as aggregated and Chengxin Finance has collected interests in the total amount of HK\$10,072,000 for the Loan I1 and the Loan I2 as aggregated, representing approximately 100.7% of the principal amount under the Loan I1 and the Loan I2 as aggregated and their extensions thereof. Both of the Loan I1 and the Loan I2 have expired on 18 July 2022 and on 5 September 2022, Chengxin Finance has issued a demand letter to the Borrower I to recover from the Borrower I the outstanding principal amount under both the Loan I1 and the Loan I2, failing which Chengxin Finance may take further legal actions against the Borrower I.

INFORMATION ON THE PARTIES

The Group

The principal activity of the Company is investment holding. The principal activities of the Group are (i) the production and sale of ready-mixed commercial concrete; and (ii) the provision of money lending services.

The Borrower A

The Borrower A is a businessman.

The Borrower B

The Borrower B is a businessman.

The Borrower D

The Borrower D is a businessman.

The Borrower E

The Borrower E is a businessman.

The Borrower F

The Borrower F is a businessman.

The Borrower G

The Borrower G is a sole proprietor in Hong Kong and engaged in the business of construction, electrical appliances and design.

The Borrower H

The Borrower H is a company incorporated in Hong Kong with limited liability and engaged in the business of decoration and engineering services.

The Borrower I

The Borrower I is a businesswoman.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Borrower A, the Borrower B, the Borrower D, the Borrower E, the Borrower F, the Borrower G, the Borrower H and the Borrower I are independent third parties of the Group and are not connected with the Group.

REASONS FOR AND BENEFITS OF THE FINANCIAL ASSISTANCE

The Group's money lending business is managed through its indirectly wholly owned subsidiary, Chengxin Finance, with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The terms of each of:

- (i) the Loan Agreement A and its extension thereof;
- (ii) the Loan Agreement B and its extensions thereof;
- (iii) the Loan Agreement D and its extension thereof;
- (iv) the Loan Agreement E and its extensions thereof;
- (v) the Loan Agreement F and its extension thereof;
- (vi) the Loan Agreement G and its extensions thereof;
- (vii) the Loan Agreement H and its extensions thereof;

(viii) the Loan Agreement I1 and its extensions thereof; and

(ix) the Loan Agreement I2 and its extensions thereof,

were arrived at by Chengxin Finance and the Borrower A, the Borrower B, the Borrower D, the Borrower E, the Borrower F, the Borrower G, the Borrower H and the Borrower I respectively, after arm's length negotiations on normal commercial terms and is financed through the Group's internal resources.

Having considered the interests income to be received by the Group, the Directors consider that the terms of each of:

(i) the Loan Agreement A and its extension thereof;

(ii) the Loan Agreement B and its extensions thereof;

(iii) the Loan Agreement D and its extension thereof;

(iv) the Loan Agreement E and its extensions thereof;

(v) the Loan Agreement F and its extension thereof;

(vi) the Loan Agreement G and its extensions thereof;

(vii) the Loan Agreement H and its extensions thereof;

(viii) the Loan Agreement I1 and its extensions thereof; and

(ix) the Loan Agreement I2 and its extensions thereof,

are fair and reasonable and the provision of financial assistance to the Borrowers are in the interest of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

The Loan A

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the provision of the Loan A under the Loan Agreement A and the extension of the Loan A under the Supplemental Agreement A exceeds 5% but is less than 25%, the provision of the Loan A under the Loan Agreement A and the extension of the Loan A under the Supplemental Agreement A constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan B

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the provision of the Loan B under the Loan Agreement B and the extension of the Loan B under the Supplemental Agreement B exceeds 5% but is less than 25%, the provision of the Loan B under the Loan Agreement B and the extension of the Loan B under the Supplemental Agreement B constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan D

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the extension of the Loan D under the Supplemental Agreement D exceeds 5% but is less than 25%, the extension of the Loan D under the Supplemental Agreement D constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan E

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the provision of the Loan E under the Loan Agreement E and the extension of the Loan E under the Supplemental Agreement E1 and the Supplemental Agreement E2 exceeds 5% but is less than 25%, the provision of the Loan E under the Loan Agreement E and the extension of the Loan E under the Supplemental Agreement E1 and the Supplemental Agreement E2 constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan F

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the extension of the Loan F under the Supplemental Agreement F exceeds 5% but is less than 25%, the extension of the Loan F under the Supplemental Agreement F constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan G

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the extension of the Loan G under the Supplemental Agreement G exceeds 5% but is less than 25%, the extension of the Loan G under the Supplemental Agreement G constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan H

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the extension of the Loan H under the Supplemental Agreement H exceeds 5% but is less than 25%, the extension of the Loan H under the Supplemental Agreement H constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Loan Agreement I1 and the Loan Agreement I2

As the Loan Agreement I1 and the Loan Agreement I2 were both entered into by Chengxin Finance with the Borrower I, the transactions contemplated under the Loan Agreement I2 were aggregated with the transactions contemplated under the Loan Agreement I1.

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the extension of the Loan I1 under the Supplemental Agreement I1 and the extension of the Loan I2 under the Supplemental Agreement I2 as aggregated exceeds 5% but is less than 25%, the extension of the Loan I1 under the Supplemental Agreement I1 and the extension of the Loan I2 under the Supplemental Agreement I2 as aggregated constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

However, due to the inadvertent mistake of the management of the Company in the computation of the size tests, the entering into of the Loan Agreement A, the Supplemental Agreement A, the Loan Agreement B, the Supplemental Agreement B, the Supplemental Agreement D, the Loan Agreement E, the Supplemental Agreement E1, the Supplemental Agreement E2, the Supplemental Agreement F, the Supplemental Agreement G, the Supplemental Agreement H, the Supplemental Agreement I1 and the Supplemental Agreement I2 had not been announced by the Company in a timely manner in accordance with the Listing Rules which constituted a non-compliance with Chapter 14 of the Listing Rules at the material time.

REMEDIAL ACTIONS

The Company regrets the omission of such disclosure and in order to avoid the occurrence of similar non-compliance with the Listing Rules in the future, the Company has/will implement(ed) the following measures and procedures:

1. the Directors have instructed the management of the Company to take all necessary measures to examine the existing loan portfolio of Chengxin Finance and the Group and to ensure that such loans are in full compliance with the Listing Rules;

2. the Company will arrange to (i) hold regular departmental meetings to monitor notifiable transactions, (ii) strengthen the reporting system between departments and Directors, and (iii) provide more guidance materials and trainings on compliance matters to the Directors, senior management and the financial staff of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and
3. the Company will work more closely with its legal advisers on compliance issues.

It is always the intention of the Company to fully comply with the Listing Rules. The Board and senior management of the Group are now fully aware of the relevant requirements under the Listing Rules and will ensure that the Company will comply with the relevant Listing Rules in order to avoid the recurrence of similar events in the future.

GENERAL

The information contained in this supplemental announcement does not affect other information contained in the Annual Report and saved as disclosed above, all other information in the Annual Report remains unchanged.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

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| “Annual Report” | the annual report of the Company for the year ended 31 March 2022 |
| “Borrower A” | Mr. Cheng Ming Kit, the borrower of the Loan A |
| “Borrower B” | Mr. Li Xing, the borrower of the Loan B |
| “Borrower C” | the borrower of the Loan C |
| “Borrower D” | Mr. Mang Sheung Lok, the borrower of the Loan D |
| “Borrower E” | Mr. Chen Jiaqiang, the borrower of the Loan E |

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| “Borrower F” | Mr. Lam Ho Laam, the borrower of the Loan F |
| “Borrower G” | Kam’s Decoration & Engineering Co., the borrower of the Loan G |
| “Borrower H” | Tin Che Decoration & Engineering Co., Limited, the borrower of the Loan H |
| “Borrower I” | Ms. Yang Lixuan, the borrower of the Loan I1 and the Loan I2 |
| “Borrowers” | the Borrower A, the Borrower B, the Borrower C, the Borrower D, the Borrower E, the Borrower F, the Borrower G, the Borrower H and the Borrower I |
| “Chengxin Finance” | Chengxin Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group |
| “Company” | Huasheng International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “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 |
| “KYC” | know your client |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Loans” | collectively, the Loan A, the Loan B, the Loan D, the Loan E, the Loan F, the Loan G, the Loan H, and the Loan I1 and the Loan I2 as aggregated |
| “Loan A” | the loan with a principal amount of HK\$25,000,000.00 granted by Chengxin Finance to the Borrower A pursuant to the Loan Agreement A |
| “Loan Agreement A” | the loan agreement dated 29 April 2019 entered into between Chengxin Finance as the lender and the Borrower A as the borrower of the Loan A |
| “Loan B” | the loan with a principal amount of HK\$24,000,000.00 granted by Chengxin Finance to the Borrower B pursuant to the Loan Agreement B |
| “Loan Agreement B” | the loan agreement dated 27 May 2017 entered into between Chengxin Finance as the lender and the Borrower B as the borrower of the Loan B |
| “Loan C” | the loan with a principal amount of HK\$21,800,000.00 granted by Chengxin Finance to the Borrower C pursuant to the Loan Agreement C |
| “Loan Agreement C” | the loan agreement dated 12 April 2021 entered into between Chengxin Finance as the lender and th Borrower C as the borrower of the Loan C |
| “Loan D” | the loan with a principal amount of HK\$20,000,000.00 granted by Chegnxin Finance to the Borrower D pursuant to the Loan Agreement D |
| “Loan Agreement D” | the loan agreement dated 11 March 2021 entered into between Chengxin Finance as the lender and the Borrower D as the borrower of the Loan D |

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| “Loan E” | the loan with a principal amount of HK\$23,000,000.00 granted by Chengxin Finance to the Borrower E pursuant to the Loan Agreement E |
| “Loan Agreement E” | the loan agreement dated 19 May 2017 entered into between Chengxin Finance as the lender and the Borrower E as the borrower of the Loan E |
| “Loan F” | the loan with a principal amount of HK\$15,000,000.00 granted by Chengxin Finance to the Borrower F pursuant to the Loan Agreement F |
| “Loan Agreement F” | the loan agreement dated 12 November 2019 entered into between Chengxin Finance as the lender and the Borrower F as the borrower of the Loan F |
| “Loan G” | the loan with a principal amount of HK\$15,000,000.00 granted by Chengxin Finance to the Borrower G pursuant to the Loan Agreement G |
| “Loan Agreement G” | the loan agreement dated 20 June 2017 entered into between Chengxin Finance as the lender and the Borrower G as the borrower of the Loan G |
| “Loan H” | the loan with a principal amount of HK\$15,000,000.00 granted by Chengxin Finance to the Borrower H pursuant to the Loan Agreement H |
| “Loan Agreement H” | the loan agreement dated 26 June 2017 entered into between Chengxin Finance as the lender and the Borrower H as the borrower of the Loan H |
| “Loan I” | the loan with a principal amount of HK\$5,000,000.00 granted by Chengxin Finance to the Borrower I pursuant to the Loan Agreement I |

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| “Loan Agreement I1” | the loan agreement dated 19 March 2018 entered into between Chengxin Finance as the lender and the Borrower I as the borrower of the Loan I1 |
| “Loan I2” | the loan with a principal amount of HK\$5,000,000.00 granted by Chengxin Finance to the Borrower I pursuant to the Loan Agreement I2 |
| “Loan Agreement I2” | the loan agreement dated 19 March 2018 entered into between Chengxin Finance as the lender and the Borrower I as the borrower of the Loan I2 |
| “PRC” | The People’s Republic of China |
| “RAC” | the risk assessment committee of Chengxin Finance |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Agreement A” | the supplemental agreement dated 29 October 2020 entered into between Chengxin Finance and the Borrower A to amend and supplement the Loan Agreement A |
| “Supplemental Agreement B” | the supplemental agreement dated 10 August 2022 entered into between Chengxin Finance and the Borrower B to amend and supplement the Loan Agreement B |
| “Supplemental Agreement D” | the supplemental agreement dated 11 March 2022 entered into between Chengxin Finance and the Borrower D to amend and supplement the Loan Agreement D |
| “Supplemental Agreement E1” | the supplemental agreement dated 19 May 2018 entered into between Chengxin Finance and the Borrower E to amend and supplement the Loan Agreement E |

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| “Supplemental Agreement E2” | the supplemental agreement dated 22 May 2019 entered into between Chengxin Finance and the Borrower E to amend and supplement the Loan Agreement E and the Supplemental Agreement E1 |
| “Supplemental Agreement F” | the supplemental agreement dated 11 November 2021 entered into between Chengxin Finance and the Borrower F to amend and supplement the Loan Agreement F |
| “Supplemental Agreement G” | the supplemental agreement dated 20 June 2018 entered into between Chengxin Finance and the Borrower G to amend and supplement the Loan Agreement G |
| “Supplemental Agreement H” | the supplemental agreement dated 26 June 2018 entered into between Chengxin Finance and the Borrower H to amend and supplement the Loan Agreement H |
| “Supplemental Agreement I1” | the supplemental agreement dated 18 July 2018 entered into between Chengxin Finance and the Borrower I to amend and supplement the Loan Agreement I1 |
| “Supplemental Agreement I2” | the supplemental agreement dated 18 July 2018 entered into between Chengxin Finance and the Borrower I to amend and supplement the Loan Agreement I2 |
| “%” | per cent |

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

Hong Kong, 18 November 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.