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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 THE ACQUISITION OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 9 January 2023 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor in respect of the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Shares, representing 13.40% of the issued Class A Shares of the Target Company, at a consideration of USD15,000,000 (equivalent to approximately HK\$117,000,000).

Upon Completion, the Company will be indirectly interested in 13.40% of the issued Class A Shares of the Target Company and the Target Company will not be accounted for as a subsidiary of the Company. Accordingly, the financial results of the Target Company will not be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules 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.

INTRODUCTION

The Board is pleased to announce that on 9 January 2023 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor in respect of the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Shares, representing 13.40% of the issued Class A Shares of the Target Company, at a consideration of USD15,000,000 (equivalent to approximately HK\$117,000,000).

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date : 9 January 2023 (after trading hours of the Stock Exchange)

Parties : (i) The Vendor; and
(ii) The Purchaser

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to acquire, and the Vendor agreed to sell the Sale Shares, representing 13.40% of the issued Class A Shares of the Target Company.

Consideration

The Consideration of USD15,000,000 (equivalent to approximately HK\$117,000,000) shall be payable by the Purchaser in the following manner:

- (i) a sum of USD6,000,000 (equivalent to approximately HK\$46,800,000) as refundable deposit (the “**Deposit**”) shall be paid by the Purchaser in cash to the Vendor on the date of the Sale and Purchase Agreement by way of cheque issued by a licensed bank in Hong Kong in favour of the Vendor (or its nominee(s) as the Vendor may direct in writing) for the relevant amount or by telegraphic transfer to the designated bank account(s) of the Vendor (or its nominee(s) as the Vendor may direct in writing) or in such manner as agreed between the Vendor and the Purchaser;
- (ii) a sum of USD8,000,000 (equivalent to approximately HK\$62,400,000) shall be paid by the Purchaser in cash to the Vendor on Completion by way of cheque issued by a licensed bank in Hong Kong in favour of the Vendor (or its nominee(s) as the Vendor may direct in writing) for the relevant amount or by telegraphic transfer to the designated bank account(s) of the Vendor (or its nominee(s) as the Vendor may direct in writing) or in such manner as agreed between the Vendor and the Purchaser; and
- (iii) the balance of USD1,000,000 (equivalent to approximately HK\$7,800,000) shall be paid by way of issuance of the Promissory Note to the Vendor on Completion.

The Consideration was determined based on arm’s length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation (the “**Valuation**”) of the Target Company of approximately HK\$909 million as at 31 October 2022 and conducted by an independent professional valuer (the “**Valuer**”) using a market-based approach.

Methodology and Assumption of the Preliminary Valuation

The Valuer adopts a market approach technique known as the guideline public company method. This method requires the research of comparable companies’ benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Company.

In consideration of the business nature of the Target Group, as defined below, the Valuer has adopted the forward price-to-sales ratio (the “**Forward P/S Ratio**”) as the multiple to estimate the value of the Target Group. In this Valuation, a Forward P/S Ratio of approximately 2.69 times as determined by the Valuer with reference to the median of 6 comparable companies which principal business are engaged in the manufacturing and selling of zero emission commercial vehicles in the overseas market. The preliminary market value of the Target Company which effectively hold 44.784% equity interests of the PRC Subsidiary as at 31 October 2022 was around HK\$909,000,000. The principal assumptions of the valuation are:

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate were assumed to be successfully obtained and renewable upon expiry with minimal costs;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

Promissory Note

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are set out below:

Issuer

The Purchaser

Principal amount

USD1,000,000 (equivalent to approximately HK\$7,800,000)

Interest

The Promissory Note shall carry interest at the interest rate of 8% per annum accruing day to day from the date of the Promissory Note and calculated on the basis of the actual number of days elapsed and a 365-day year.

Interest shall be paid annually in arrears at the end of each one-year period after the date of issue of the Promissory Note.

Maturity

The date falling 24 months from the date of issuance of the Promissory Note.

Early redemption

The Purchaser may redeem all or part of the Promissory Note at any time prior to its maturity at 100% of the principal amount together with all interest accrued on the principal amount thereby redeemed but unpaid, by giving the Vendor not less than seven days' prior written notice specifying the amount and date of prepayment without any penalty, prepayment or other fees.

Security

The share certificate in respect of 0.089 Sale Shares issued in the name of the Purchaser shall be retained by the Vendor (or any person designated by the Vendor) until redemption of the Promissory Note.

Transferability

The Promissory Note is transferrable by the Vendor upon prior notification to and consent from the Purchaser in integral multiples of USD100,000.

Conditions precedent

Completion of the Acquisition is conditional upon the fulfilment or waiver (if applicable) of the following conditions:

- (i) the Purchaser being satisfied with the results of the due diligence review of the Target Company;
- (ii) all the warranties provided by the Vendor remaining true and accurate in all respects from the date of the Sale and Purchase Agreement up to and immediately before Completion;
- (iii) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and
- (iv) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Purchaser and the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect.

The Purchaser may at any time waive (in whole or in part) the conditions referred to in (i) and (ii) above at its sole and reasonable discretion. The other conditions set out above are incapable of being waived. If the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) on or before 5:00 p.m. on the Long Stop Date, (a) the Sale and Purchase Agreement shall cease and determine; (b) the Deposit shall be refunded to the Purchaser (or its nominee(s)) without interest within five Business Days; and (c) thereafter neither the Vendor nor the Purchaser shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

As at the date of this announcement, none of the conditions precedent set out above have been fulfilled.

Completion

The Sale and Purchase Agreement shall complete within five days after the day on which the conditions referred to above are satisfied, or as the case may be, waived by the Purchaser (or such later date as may be agreed between the Vendor and the Purchaser).

Upon Completion, the Purchaser will also enter into an accession deed with the Target Company, Templewater Investments as holder of Class B Shares, Templewater Limited as advisor and other shareholders of the Target Company, pursuant to which, among others, the Purchaser will become a party to the shareholders' agreement in relation to the Target Company.

Pursuant to the shareholders' agreement, among others:

- (i) any sale or disposal of all or any part of the Target Company's interest in the investment in the Wisdom Group (as defined below) and its subsidiary shall be subject to the approval of the board of directors of the Target Company only (and Templewater Investments is entitled to appoint all the directors of the Target Company), and does not require the approval of any shareholders of the Target Company;
- (ii) in the event of any sale or disposal of all or any part of the shares of the Wisdom Group held by the Target Company in connection with its indirect investment in the PRC Subsidiary of the Wisdom Group, the Company shall redeem such number of Class A Shares equivalent to such proportion of the shares of Wisdom Group sold or disposed of by the Target Company against the initial shareholding in Wisdom Group held by the Target Company, at the redemption price equal to the sale proceeds minus the performance fee payable to Templewater Investments (which shall be paid by way of redemption of Class B Shares held by Templewater Investments) to be determined based on the gain calculated in accordance with the terms of the shareholders' agreement; and
- (iii) the transfer of the Class A Shares in the Target Company is subject to the consent of the board of directors of the Target Company.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in (i) the production and sale of ready-mixed commercial concrete; and (ii) the provision of money lending services.

The Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. The Vendor is wholly-owned by Mr. Li Xing.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, each of the Vendor and its ultimate beneficial owner is an Independent Third Party.

The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability.

The Target Company is an investment holding company and its principal investment is in Wisdom Group Holdings Limited ("**Wisdom Group Holdings**", together with its subsidiaries, the "**Wisdom Group**"), a company incorporated in the Cayman Islands with limited liability, in which the Target Company holds voting participating ordinary shares representing approximately 44.78% of its issued share capital (comprising approximately 78% voting participating ordinary shares and approximately 22% voting participating preferred shares) as at the date of this announcement, and its subsidiaries.

As at the date of this announcement, the Target Company has (i) 10 non-voting Class A Shares in issue which are owned as to 9.11 Class A Shares by the Vendor and 0.89 Class A Share by an Independent Third Party; and (ii) 10 voting Class B Shares in issue which are wholly owned by Templewater Investments. The Sale Shares represent 13.40% of the issued Class A Shares of the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, each of the shareholders of the Target Company, Templewater Investments, Templewater Limited and their respective ultimate beneficial owners is an Independent Third Party.

Upon Completion, the Company will be indirectly interested in 13.40% of the issued Class A Shares of the Target Company and the Target Company will not be accounted for as a subsidiary of the Company. Accordingly, the financial results of the Target Company will not be consolidated into the financial statements of the Group.

Templewater Investments and Templewater Limited

Templewater Investments is an investment holding company and Templewater Limited is an advisory service company which are wholly-owned by Templewater Holdings Limited, an alternative investment firm founded by Investec Bank plc and Mr. Cliff Zhang.

The Wisdom Group

Based on the information provided by the Wisdom Group, the Wisdom Group is principally engaged in the design and manufacture of zero emission commercial vehicles offering both the battery-powered electric vehicles (“**BEVs**”) and the fuel cell electric vehicles (“**FCEVs**”). The Wisdom Group focuses on exporting high-end products across the world, having sold and delivered eight types of products and more than 300 vehicles to 13 regions in the past three years.

As at the date of this announcement, the Wisdom Group has developed several zero-emission vehicle products covering city buses, luxury touring coaches, logistics vehicles, heavy-duty trucks and other commercial vehicles in various fields. The products of the Wisdom Group have successfully been homologated in a number of developed countries and regions such as the United Kingdom, Australia, Israel, Japan, Singapore and Hong Kong. In particular, the Wisdom Group designed and delivered Hong Kong’s first electric double-decker bus in October 2021, Hong Kong’s first fuel-cell electric double-decker bus in June 2022, and Japan’s first low-floor electric logistic van.

As at the date of this announcement, other than the Target Company, the shareholders of the Wisdom Group also includes, among others, Ballard Power Systems Inc. (“**Ballard**”) which is a company listed on Nasdaq and principally engaged in the design, development, manufacture, sale and service of proton exchange membrane (“**PEM**”) fuel cell products for a variety of applications, focusing on power product markets of heavy duty motive (consisting of bus, truck, rail and marine applications), material handling and stationary power generation, as well as the delivery of technology solutions, including engineering services, technology transfer, and the license and sale of an extensive intellectual property portfolio and fundamental knowledge for a variety of PEM fuel cell applications.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As the Target Company is an investment holding company and the first share of the Target Company was issued on 10 March 2022, the Target Company did not record any revenue or profit or loss before and after tax for the period from its date of incorporation (i.e. 8 November 2021) to 31 December 2021 and for the year ended 31 December 2022.

Based on the unaudited management accounts of the Target Company, the net asset value of the Target Company was approximately HK\$909 million (as adjusted by the Valuation) as at 31 December 2022.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the production and sale of ready-mixed commercial concrete; and (ii) the provision of money lending services.

The Company has continuously been exploring suitable investment opportunities. With a growing number of governments around the world setting concrete plans to replace internal combustion engine (“ICE”) vehicles and to reach carbon neutrality, requiring public transport operators to invest in zero-emission transportation solutions, the Company is of the view that there is an ongoing green shift in the commercial BEVs and FCEVs sector and has a strong focus on sustainability, which include in particular, the public bus services in Hong Kong, where the transition to zero-emission technology is expected to accelerate to comply with the government’s pledge to achieve carbon neutrality by 2050. In March 2021, the Hong Kong Government announced the ICE vehicle replacement policy to phase out approximately 40,000 EURO IV diesel commercial vehicles by 2027. According to the International Energy Agency’s Global EV Outlook 2021, the global market for zero-emission commercial vehicles is on track to reach over US\$400 billion by 2035.

Having considered (i) the future prospects of zero-emission commercial vehicles market as set out above, especially the public bus services in Hong Kong; (ii) the Wisdom Group is a cutting edge vehicle technology company that is capable of designs and offers smart, zero-emission vehicles globally; (iii) the track record and the design and manufacture capability of the Wisdom Group as demonstrated by the design and delivery of Hong Kong’s first electric double-decker bus in October 2021, Hong Kong’s first fuel-cell electric double-decker bus in June 2022, and Japan’s first low-floor electric logistic van; and (iv) the background of other shareholders of the Wisdom Group, the Board is of view that the Acquisition represents a valuable investment opportunity of the Group and represents an opportunity to diversify its business portfolio by tapping into the zero emission commercial vehicles market.

Therefore, the Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules 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.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors

“Business Day”	a day (excluding Saturday, Sunday, 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. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Class A Shares”	non-voting participating class A shares in the issued share capital of the Target Company
“Class B Shares”	voting non-participating class B shares in the issued share capital of the Target Company
“Company”	Huasheng International Holding Limited 華盛國際控股有限公司, 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
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition, being USD15,000,000 (equivalent to approximately HK\$117,000,000)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20 January 2023, or such later date as the Vendor and the Purchaser may agree in writing
“PRC Subsidiary”	Wisdom (Fujian) Motors Limited* (威馳騰(福建)汽車有限公司), a company established in the People’s Republic of China with limited liability and an indirect wholly-owned subsidiary of Wisdom Group Holdings
“Promissory Note”	the promissory note in the principal amount of USD1,000,000 (equivalent to approximately HK\$7,800,000) issued by the Purchaser in favour of the Vendor to settle part of the Consideration under the Sale and Purchase Agreement
“Purchaser”	Star World International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 January 2023 and entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Shares”	being 1.34 Class A Shares, representing 13.40% of the issued Class A Shares of the Target Company, which is legally and beneficially owned by the Vendor as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares

“Shareholders’ Agreement”	the shareholders’ agreement dated 9 June 2022 and entered into between the Target Company, Templewater Investments, Templewater Limited and the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wisdom Moon (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
“Templewater Investments”	Templewater Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor”	Integrated Winners Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

* *for identification purposes only*

For ease of reference and unless otherwise specified in this announcement, sums in USD in this announcement have been translated, for the purpose of illustration only, into HK\$ on the basis of USD1.0 = HK\$7.80.

This does not mean that HK\$ could be converted into USD, or vice versa, based on such exchange rate.

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

Hong Kong, 9 January 2023

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.