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HUISEN GROUP

Huisen Household International Group Limited

匯森家居國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2127)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY

Financial Adviser to the Company



雋匯國際金融有限公司
Jun Hui International Finance Limited

THE ACQUISITION

On 12 May 2023 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares at the Consideration of RMB160,000,000 in accordance with the terms and conditions of the Sale and Purchase Agreement. The Sale Shares represent 100% equity interest in the Target Company.

As at the date of this announcement, the Target Company is owned as to 75% by Ms. Zhuo and 25% by Ms. Huang.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but 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 exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment of the terms and conditions precedent set out under the Sale and Purchase Agreement and the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

Reference is made to the announcement of the Company dated 4 April 2023 regarding the memorandum of understanding entered into between the Purchaser and the Vendors in relation to the possible acquisition of the Sale Shares.

On 12 May 2023 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares at the Consideration of RMB160,000,000 in accordance with the terms and conditions of the Sale and Purchase Agreement. The Sale Shares represent 100% equity interest in the Target Company.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set forth below.

Date

12 May 2023

Parties

- (i) the Purchaser; and
- (ii) the Vendors

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares, representing 100% equity interest in the Target Company.

Further details of the Target Company are set forth under the section headed “Information on the Target Company and the Vendors – the Target Company” in this announcement.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration of RMB160,000,000 shall be paid by the Purchaser to the Vendors by cash in the following manner:

- (i) RMB48,000,000 shall be paid upon signing of the Sale and Purchase Agreement; and
- (ii) the balance of RMB112,000,000 shall be paid upon (a) fulfillment of all conditions precedent under the Sale and Purchase Agreement or otherwise as the case may be waived by the Purchaser; and (b) completion of delivery of required documents as stipulated in the Sale and Purchase Agreement in connection with the Acquisition.

Basis of the Consideration

The Consideration was determined between the Purchaser and the Vendors after arm’s length negotiations and on normal commercial terms, taking into account, among others, (i) the appraised value for 100% equity interest in the Target Company as at 31 December 2022 of approximately RMB234.7 million based on market approach as appraised by the Independent Valuer; (ii) the future prospects of the Target Company; and (iii) the reasons for and benefits of the Acquisition as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement. Based on the above, the Directors consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Consideration will be funded by the internal resources of the Company.

Conditions precedent

Completion of the Acquisition is subject to the following conditions being fulfilled and/or waived (as the case may be) on or before the Long Stop Date:

- (i) the Target Company shall, in accordance with its memorandum and articles of association, obtain approval from its shareholders for the equity transfer of the Target Company under the Sale and Purchase Agreement;
- (ii) the Vendors shall complete the Industrial and Commercial Registration for the equity transfer of the Target Company, and submit related document proof (including but not limited to the Target Company's memorandum and articles of association) as required under relevant regulatory requirements and to the satisfaction of the Purchaser;
- (iii) all information in relation to the Target Company under the Sale and Purchase Agreement remain true, complete, accurate and not misleading in all respects;
- (iv) the warranties made by the Vendors under the Sale and Purchase Agreement remain true and accurate;
- (v) the Vendors shall not breach any pre-closing obligations under the Sale and Purchase Agreement;
- (vi) there is no material adverse change on the Target Company;
- (vii) Completion will not be restricted or prohibited by any applicable law, judicial or arbitration agency, or other government agency's ruling or administrative decision;
- (viii) the Purchaser completes legal and financial due diligence on the Target Company with satisfactory results; and
- (ix) all necessary consents and approvals required to be obtained in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder have been obtained.

Save for conditions (ii), (iv), (vi), (vii) and (ix) which cannot be waived, the Purchaser can by notice in writing to the Vendors waive the other conditions. If the above conditions have not been satisfied (or waived, as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate (save as otherwise provided therein) and the Purchaser shall have no obligations or liabilities towards the Vendors save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the fifth (5th) Business Day after the day on which all of the conditions precedent to the Sale and Purchase Agreement having been fulfilled (or waived, where applicable), or such other day as may be mutually agreed by the Purchaser and the Vendors.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

INFORMATION ON THE TARGET COMPANY AND THE VENDORS

The Target Company

The Target Company is a company established in the PRC with limited liability and has registered capital of RMB11,000,000. The Target Company is principally engaged in the provision of information technology solutions services mainly to furniture manufacturers in the PRC.

As at the date of this announcement, the Target Company is owned as to 75% by Ms. Zhuo and 25% by Ms. Huang.

Set out below is a summary of the unaudited financial information of the Target Company for the years ended 31 December 2021 and 2022, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2021	2022
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	3,125	12,844
Profit after taxation	3,296	12,083

The unaudited net asset value of the Target Company as at 31 December 2022 was approximately RMB17.3 million.

The Vendors

The Vendors are individuals residing in the PRC and owners of the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendors are Independent Third Parties.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in manufacturing and selling of panel-type furniture, hardware furniture and furniture ornaments.

The Purchaser

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in development, production and sales of board-type furniture in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in manufacturing and selling of panel-type furniture, hardware furniture and furniture ornaments. The Target Company is principally engaged in the provision of information technology solutions services mainly to furniture manufacturers in the PRC. The Directors considered that the Acquisition will be complementary to the Group's principal business activities and provide synergy to the Group. Leveraging on the expertise of the Target Company on information technology solutions with specialisation in the furniture industry, the Directors are of the view that the Group will be able to enhance its operational efficiency through applying the leading-edge systems developed by the Target Company. In addition, the Acquisition could provide an opportunity for the Group to broaden its customer base and income stream.

Based on the above, the Directors consider that the Acquisition contemplated by the Sale and Purchase Agreement is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and 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 defined in the Listing Rules) in respect of the Acquisition are more than 5% but 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 exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment of the terms and conditions precedent set out under the Sale and Purchase Agreement and the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays)
“Company”	Huisen Household International Group Limited (匯森家居國際集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2127)
“Completion”	completion of the Acquisition pursuant to the terms and conditions under the Sale and Purchase Agreement
“Completion Date”	the fifth (5th) Business Day after the day on which all the conditions precedent to the Sale and Purchase Agreement having been fulfilled (or waived, where applicable), or such other date as may be mutually agreed by the Purchaser and the Vendors
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration of RMB160,000,000 payable by the Purchaser to the Vendors for the Acquisition pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (as defined under the Listing Rules)
“Independent Valuer”	PSA (HK) Surveyors Limited, an independent professional valuer engaged by the Company for the purpose of the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	three (3) months after the date of the Sale and Purchase Agreement (or such other day as may be mutually agreed by the Purchaser and the Vendors)
“Ms. Huang”	Ms. Qun Huang (黃群), as one of the Vendors and an Independent Third Party as at the date of this announcement
“Ms. Zhuo”	Ms. Min Zhuo (卓敏), as one of the Vendors and an Independent Third Party as at the date of this announcement
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan region
“Purchaser”	Ganzhou Huiming Wood Industry Co., Limited* (贛州匯明木業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 12 May 2023 entered into between the Purchaser and the Vendors in respect of the Acquisition
“Sale Shares”	the entire equity interest in the Target Company
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jiangxi Bashen Data Technology Co., Ltd.* (江西八神數據科技有限公司), a company established in the PRC with limited liability, which is owned as to 75% by Ms. Zhuo and 25% by Ms. Huang as at the date of this announcement
“Vendors”	collectively, Ms. Zhuo and Ms. Huang
“%”	per cent.

By order of the Board
Huisen Household International Group Limited
Zeng Ming
Chairman

The PRC, 12 May 2023

As at the date of this announcement, the executive Directors are Mr. Zeng Ming, Ms. Zeng Minglan and Mr. Wu Runlu; and the independent non-executive Directors are Mr. Suen To Wai, Ms. Zhang Lingling and Mr. Feng Zhaowei.

* *For identification purposes only*