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HONG WEI (ASIA) HOLDINGS COMPANY LIMITED

鴻偉(亞洲)控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8191)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF A TARGET COMPANY

THE SALE AND PURCHASE AGREEMENT

On 19 November 2021 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Share and the Sale Loan at the aggregate Consideration of approximately HK\$16,000,000.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

Date: 19 November 2021 (after trading hours of the Stock Exchange)

Parties: (1) Great Success Investment Holdings Limited, as vendor; and

(2) Hong Wei Pacific Limited, as purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendor is principally engaged in investment holding business; (ii) the Vendor is wholly and beneficially owned by Mr. Tong Yu Jang, who is a merchant; and (iii) each of the Vendor and its ultimate beneficial owner is an Independent Third Party.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan.

Consideration

The aggregate Consideration for the sale and purchase of the Sale Share and the Sale Loan shall be approximately HK\$16,000,000, which shall be apportioned as follows:–

- (a) the consideration for the assignment of the Sale Loan shall be the face value of the Sale Loan as at the Completion Date. As at the date of this announcement, the Target Company is indebted to the Vendor in the amount of approximately HK\$16,000,000 and it is expected that the face value of the Sale Loan as at the Completion Date will be approximately HK\$16,000,000; and
- (b) the consideration for the transfer of the Sale Share shall be at par value of US\$1.00.

The aggregate Consideration shall be satisfied by the Purchaser by the issue of the Promissory Note to the Vendor in the amount of HK\$16,000,000 upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into account the preliminary valuation of the Properties, being the principal assets of the Target Group (upon completion of the Reorganisation), in the amount of HK\$16,000,000 prepared by Cresval Corporate Advisory Group Limited, an independent professional valuer, by using the direct comparison approach.

The Promissory Note

Pursuant to the Sale and Purchase Agreement, the Consideration is to be satisfied by the Purchaser by issuing the Promissory Note, which is unsecured, to the Vendor upon Completion.

The principal terms of the Promissory Note are summarised as follows:

Issuer	:	The Purchaser
Noteholder	:	The Vendor

Principal amount	:	HK\$16,000,000
Maturity date	:	The date falling on the Business Day immediately after the third anniversary of the date of issue of the Promissory Note
Interest	:	5% per annum, payable upon maturity
Repayment	:	Payment of the principal amount of the Promissory Note shall be made in full upon maturity
Transferability	:	The Promissory Note shall not be transferred by the noteholder to any person or persons at any time unless (i) prior written consent has been obtained from the Purchaser; and (ii) such transfer, if effected, is in compliance with all applicable laws, regulations and rules (including without limitation the GEM Listing Rules)
Early redemption	:	The Promissory Note (all or part and in integral multiple of HK\$1,000,000) may at any time prior to the maturity date be redeemed by the Purchaser at 100% of their face value together with all interest accrued on the principal amount by giving not less than seven day's prior written notice to the noteholder
Status	:	The Promissory Note constitutes direct, general, unsubordinated and unsecured obligations of the Purchaser which will at all times rank pari passu with all other present and future unsecured and unsubordinated obligations of the Purchaser
Listing of the Promissory Note	:	No application will be made for the listing of the Promissory Note on the Stock Exchange

Conditions precedent

Completion shall be conditional upon and subject to:

- (1) the Purchaser being satisfied with the results of the due diligence review of the Target Group;
- (2) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

- (3) all necessary consents, 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;
- (4) the representations, warranties and undertakings given by the Vendor remaining true and correct in all respects and not misleading;
- (5) the Purchaser having reasonably satisfied that there has not been any material adverse change on the Target Group since the date of the Sale and Purchase Agreement;
- (6) the obtaining of a Malaysian legal opinion from a firm of Malaysian legal advisers appointed by the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (7) the obtaining of a valuation report from a firm of independent professional valuers appointed by the Purchaser showing the valuation of the Properties to be not less than HK\$16,000,000; and
- (8) the Target Group having completed the Reorganisation.

Save that the Purchaser may at any time waive in writing the conditions set out in (1), (4) and (5) above, all other conditions set out above are incapable of being waived by either the Purchaser or the Vendor. If any of the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) by 5:00 p.m. on 31 December 2021 or such later date as the Vendor and the Purchaser may agree in writing, the Sale and Purchase Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Upon compliance with or fulfilment (or waiver) of all the conditions set out in the Sale and Purchase Agreement, Completion shall take place on the Completion Date.

Upon Completion, the Purchaser will hold the entire issued share in the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability and currently wholly and beneficially owned by the Vendor. As at the date of this announcement, the Target Company holds the entire issued shares in MMR Champion and Mr. Cheang Ming Seong, an Independent Third Party, holds the entire issued shares in MMR Five. Upon

completion of the Reorganisation, MMR Champion will hold the entire issued shares in MMR Five. Each of MMR Champion and MMR Five is an investment holding company incorporated in Hong Kong and Malaysia respectively.

As at the date of this announcement, the principal assets of MMR Five are the Properties, which were acquired by MMR Five at the total purchase price of approximately RM8.6 million (equivalent to approximately HK\$16 million) pursuant to three sale and purchase agreements entered into between MMR Five and TSA LAND SDN. BHD., the property developer, dated 9 November 2021. MMR Five has the full legal and beneficial interests in the title to the Properties free from all encumbrances. The Properties are three service apartment units (unit numbers 12-1 at 12/F., 13A-1 at 13A/F. and 16-1 at 16/F) with a total floor area of 557.41 square meters situated at Block R1, MM Residency in Melawati, Kuala Lumpur, Malaysia under the subject development known as MM Residency, which has a total site area of approximately 14,536 square meters and is under freehold land tenure.

The Properties are currently under construction and are preliminarily valued by Cresval Corporate Advisory Group Limited, an independent professional valuer engaged by the Company, by using the direct comparison approach in the amount of HK\$16,000,000 with the assumption that the Properties have been completed as at the date of valuation as per building specifications provided with benefit of vacant possession and free from encumbrances.

The Properties are currently developed by TSA LAND SDN. BHD., a property developer and an Independent Third Party. It is expected that construction of the Properties will be completed and MMR Five will take vacant possession of the Properties by the end of 2024. As at the date of this announcement, MMR Five has paid 2% of the entire purchase price to the property developer for the acquisition of the Properties and the Vendor agreed to pay all outstanding payment, purchase price, liabilities, obligations, indebtedness, costs and expenses owed or payable by MMR Five to the property developer in relation to the Properties under the sales and purchase agreements for the acquisition of the Properties. The Vendor further undertakes to fully indemnify and keep the Target Group fully indemnified and save the Target Group harmless against all claims, suits, proceedings, demands, liabilities, losses, fines, charges, expenses and costs suffered or incurred by the Target Group in relation to the Properties. As such, MMR Five has no obligation to settle any outstanding payments including but not limited to any compensation or legal claims prior to the date on which Properties are handed over to MMR Five.

The MM Residency occupies an irregular shaped site and are situated on the north-eastern side of Jalan Melawati 1 near its junction with Jalan G 1 located in Melawati, Kuala Lumpur, Malaysia. The popular regional Melawati Mall is located nearby. The MM Residency comprises one block of service apartment and two blocks of SOHO with a total of 420 units to be erected over an 8-storey carpark and commercial podium and is expected to be completed by the fourth quarter of 2023.

Each of the Target Company, MMR Champion and MMR Five was recently incorporated in September 2021, November 2021 and October 2021 respectively with only a paid up capital of US\$1.00, HK\$10,000 and RM100 respectively. Each of the Target Company, MMR Champion and MMR Five has not commenced any business since its incorporation and upon completion of the Reorganisation, the Target Group has no material assets other than the Properties held by MMR Five.

As at the date of this announcement, the unaudited net asset value of each of the Target Company, MMR Champion and MMR Five was nil.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT

The Company's principal activity is investment holding and its principal subsidiaries are principally engaged in manufacturing and selling of particleboards and forestry business in the PRC.

The Properties will be used by the Group for investment purposes and the Group may benefit from any long term capital gain if the Properties appreciate in value in the future. The Acquisition represents an attractive investment opportunity for the Group and gives room for development of the Group's operations in Malaysia and enable the Group to explore further investment opportunities in the real property market in Malaysia.

The Directors consider that, taking into consideration the highly competitive market in the PRC and limited opportunities for further expansion, the Acquisition will allow the Group to expand into Malaysia, which is a developing market with growth potential and benefits from the PRC's belt and road initiative and thereby diversifying the Group's business risk geographically and enlarging the business scale, revenue and customer base of the Group, which will benefit the Company and its shareholders in the long term.

In view of the above, the Directors consider that the entering into of the Sale and Purchase Agreement and the terms of the Acquisition, including the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, the following expressions will have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday or public holiday) in Hong Kong on which licensed banks are generally open for business throughout the normal working hours
“Company”	Hong Wei (Asia) Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date falling within five Business Days after the fulfillment (or waiver) of the conditions under the Sale and Purchase Agreement, or such other date as the Vendor and the Purchaser may agree in writing
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the aggregate consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons

“MMR Champion”	MMR Champion Limited, a company incorporated in Hong Kong with limited liability and a direct wholly owned subsidiary of the Target Company
“MMR Five”	MMR Five Property Sdn. Bhd., a company incorporated in Malaysia with limited liability and upon completion of the Reorganisation, a direct wholly owned subsidiary of MMR Champion
“PRC”	the People’s Republic of China
“Promissory Note”	the promissory note in the aggregate principal amount of HK\$16,000,000 due on the Business Day immediately after the third anniversary of its issue date and carrying interest of 5% per annum to be issued by the Purchaser to the Vendor in accordance with its terms and conditions of the Sale and Purchase Agreement
“Properties”	the properties owned by MMR Five, namely three service apartment units (unit numbers 12-1 at 12/F., 13A-1 at 13A/F. and 16-1 at 16/F) with a total floor area of 557.41 square meters situated at Block R1, MM Residency in Melawati, Kuala Lumpur, Malaysia
“Purchaser”	Hong Wei Pacific Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation of the Target Group pursuant to which MMR Champion will acquire the entire issued shares of MMR Five and upon completion of which MMR Champion will be the registered and beneficial owner of the entire issued share capital of MMR Five
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 November 2021 and entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion
“Sale Share”	1 issued share of the Target Company, representing the entire issued share capital of the Target Company

“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Champion Commence Limited, a company incorporated in British Virgin Islands with limited liability
“Target Group”	collectively, the Target Company, MMR Champion and, upon completion of the Reorganisation, MMR Five
“Vendor”	Great Success Investment Holdings Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RM”	Malaysian ringgits, the lawful currency of Malaysia
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By Order of the Board
Hong Wei (Asia) Holdings Company Limited
Wong Cheung Lok
Chairman and Executive Director

Hong Kong, 19 November 2021

As at the date of this announcement, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngar Kwan, Mr. Liu Jiayong and Mr. Wong Kin Ching and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Dr. Chow Ho Wan, Owen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be published and remains on the Company’s website at www.hongweiasia.com.