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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION

On 25 August 2021 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 166,520,620 Shares at the Subscription Price of HK\$0.0900 per Subscription Share. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, the Subscription Shares represent (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Price represents (i) a discount of approximately 17.43% to the closing price of HK\$0.1090 per Share as quoted on the Stock Exchange on 25 August 2021, being the date of the Subscription Agreement; and (ii) a discount of approximately 16.97% to the average closing price per Share of HK\$0.1084 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

The gross proceeds and net proceeds from the Subscription will be approximately HK\$14,987,000 and HK\$14,667,000 respectively, and are intended to be used for the repayment of part of the outstanding amount of the Notes.

As the Completion is subject to the fulfilment of the condition as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

The Subscription Agreement

Date: 25 August 2021

Issuer: the Company

Subscriber: Mutual Benefits Enterprise Limited

Number of Subscription Shares: 166,520,620

Subscription Price: HK\$0.0900 per Subscription Share

The Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Subscriber is owned as to (i) 70% by City East Investments Limited; and (ii) 30% by Advanced Oasis International Holding Limited. City East Investments Limited is owned as to 100% by a merchant named Mr. Kaneko Hiroshi and is a company incorporated in British Virgin Islands with limited liability that is principally engaged in investment holding. Advanced Oasis International Holding Limited is owned as to (i) 50% by a merchant named Mr. Chu Hin Ming Alfonso; and (ii) 50% by a merchant named Mr. Yu Kin Wai Perway and is a company incorporated in the British Virgin Islands that is principally engaged in investment holding.

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

Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 166,520,620 Subscription Shares at HK\$0.0900 per Subscription Share, representing:

- (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and

- (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change to the issued share capital of the Company between the date of the Subscription Agreement and the Completion Date).

Upon Completion, the Subscriber will become a substantial shareholder (as defined in the GEM Listing Rules) and hence a connected person (as defined in the GEM Listing Rules) of the Company.

Subscription Price

The Subscription Price of HK\$0.0900 per Subscription Share represents:

- (i) a discount of approximately 17.43% to the closing price of HK\$0.1090 per Share as quoted on the Stock Exchange on 25 August 2021, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 16.97% to the average closing price per Share of HK\$0.1084 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

The market value of the Subscription Shares is approximately HK\$18,150,747.6, based on the closing price of HK\$0.1090 per Share as at the date of the Subscription Agreement. Each Subscription Share has no par value.

The Subscription Price was negotiated on an arm's length basis between the Company and the Subscriber with reference to current market conditions, prevailing market price and recent trading volume of the Shares.

The gross proceeds from the Subscription will be approximately HK\$14,987,000. The net proceeds from the Subscription, after deduction of the relevant expenses, will amount to approximately HK\$14,667,000, representing a net subscription price of approximately HK\$0.0881 per Subscription Share.

Ranking of Subscription Shares

The Subscription Shares, when fully paid and allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Condition Precedent for the Subscription

Completion of the Subscription is conditional upon the Company having obtained the listing approval issued by the Stock Exchange in connection with the listing of and permission to deal in the Subscription Shares.

If the foregoing condition is not fulfilled by 5:00 p.m. on 14 September 2021, or such other time and date as may be agreed by the Subscriber and the Company, all rights, obligations and liabilities of the Subscriber and the Company under the Subscription Agreement shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the terms thereof.

Completion of the Subscription

Completion shall take place at 4:00 p.m. on a date within five Business Days (or such other date and time as may be agreed by the Company) after the satisfaction of the condition precedent of the Subscription Agreement.

General Mandate

Pursuant to the General Mandate granted to the Directors at the AGM, the total number of new Shares that the Company is authorised to allot and issue is 166,520,620 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no new Share has been allotted and issued by the Company under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares, and the issue of the Subscription Shares will not be subject to further approval by the Shareholders.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

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 People's Republic of China.

On 10 August 2018, the Company entered into a subscription agreement as issuer (the "**Notes Subscription Agreement**") with AI Global Investment SPC (formerly known as Haitong Global Investment SPC III) acting on behalf of and for a segregated portfolio as subscriber (the "**Notes Subscriber**") for the issuance of secured and guaranteed notes (the "**Notes**") in the principal amount of HK\$100,000,000 for an initial term of 2 years from the date of issuance. On 13 July 2020, the Company and the Notes Subscriber entered into a deed of amendment, pursuant to which, among other things, the Notes Subscriber agreed to amend the terms and conditions of the Notes and that the maturity date of the Notes was extended from 12 August 2020 to 12 August 2021. On 17 August 2021, the Company further entered into a waiver letter with the Notes Subscriber pursuant to which the Notes Subscriber agreed to, among others, waive the obligation of the Company to fully repay the amount repayable under the Notes up to 6 September 2021. For details, please refer to the Company's

announcements dated 10 August 2018, 13 July 2020 and 17 August 2021 respectively. As set out in the interim report of the Company for the six months ended 30 June 2021, the balance of the Notes amounted to approximately HK\$77.8 million as at 30 June 2021.

The estimated net proceeds from the Subscription, after deduction of the relevant expenses, will amount to approximately HK\$14,667,000. The proceeds are intended to be fully used for the repayment of part of the outstanding amount of the Notes which will be due on 6 September 2021, thereby reducing the Group's gearing ratio and improving the Group's financial position. Accordingly, the Board (including the independent non-executive Directors) considers that the Subscription is in the interests of the Company and the Shareholders as a whole, and the terms of the Subscription Agreement are fair and reasonable.

As at the date of this announcement, the Company is pending negotiation with the Notes Subscriber to further extend the maturity date of the Notes. The Company also intends to and is in the course of negotiation to raise additional funding from other party(ies), including but not limited to the controlling shareholder (as defined in the GEM Listing Rules) of the Company and/or the Subscriber, to repay the remaining outstanding amount of the Notes.

EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the changes to the shareholding structure of the Company as a result of completion of the Subscription (assuming there being no other change in the share capital and shareholding structure of the Company between the date of this announcement and Completion):

Name of Shareholders	As at the date of this announcement		Immediately upon the Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Wong Cheung Lok (<i>Note 1</i>)	430,000,000	51.65	430,000,000	43.04
Mr. Wong Kin Ching (<i>Note 2</i>)	372,000	0.04	372,000	0.03
The Subscriber	-	-	166,520,620	16.67
Public Shareholders	<u>402,231,100</u>	<u>48.31</u>	<u>402,231,100</u>	<u>40.26</u>
Total	<u><u>832,603,100</u></u>	<u><u>100.00</u></u>	<u><u>999,123,720</u></u>	<u><u>100.00</u></u>

Note 1: Mr. Wong Cheung Lok, is an executive Director, the chairman of the Board, and chief executive officer of the Company. He is the father of Mr. Wong Kin Ching.

Note 2: Mr. Wong Kin Ching is an executive Director and the Compliance Officer of the Company. He is the son of Mr. Wong Cheung Lok.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the date of this announcement.

Shareholders and potential investors should note that the Subscription is subject to the fulfilment of the condition under the Subscription Agreement. As the Subscription may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM” the annual general meeting of the Company held on 25 May 2021

“Board” the board of directors of the Company

“Business Day” a day (excluding Saturday, Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“Company” Hong Wei (Asia) Holdings Company Limited, a limited liability company incorporated in Hong Kong, the issued shares of which are listed on GEM (stock code: 8191)

“Completion”	the completion of the Subscription in accordance with the terms and condition set out in the Subscription Agreement
“Completion Date”	a date within five Business Days (or such other date and time as may be agreed by the Company) after the satisfaction of the condition precedent of the Subscription Agreement
“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
“General Mandate”	the general mandate to allot and issue up to 166,520,620 Shares granted to the Board by a resolution of the Shareholders passed at the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a party who is not a connected person (as defined in the GEM Listing Rules) of the Company and is independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mutual Benefits Enterprise Limited, a company incorporated in Hong Kong with limited liability
“Subscription Agreement”	the conditional subscription agreement dated 25 August 2021 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.0900 per Subscription Share

“Subscription Shares”	166,520,620 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Subscription”	the subscription of a total of 166,520,620 Subscription Shares by the Subscriber pursuant to the terms and condition of the Subscription Agreement
“%”	per cent.

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

Hong Kong, 25 August 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 (www.hkgem.com) for at least seven days from the day of its posting. This announcement will also be published on the Company’s website at www.hongweiasia.com.