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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION AGREEMENT**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 12 January 2016 (before trading hours of the Stock Exchange), the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, (i) the Company has conditionally agreed to acquire from the Vendor the Sale Shares and (ii) the Vendor has agreed to assign to the Company, and the Company has agreed to accept the assignment of, the Sale Loan for a total Consideration of HK\$150 million.

The Consideration will be satisfied by the allotment and issue of an aggregate of 348,837,209 Consideration Shares at an issue price of HK\$0.43 each by the Company to the Vendor. The Consideration Shares represent approximately 41.90% of the existing issued share capital and 29.53% of the enlarged issued share capital of the Company immediately after the Proposed Acquisition.

Upon Completion of the Proposed Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

GEM LISTING RULES IMPLICATION

As the highest of all applicable percentage ratios for the Proposed Acquisition, is more than 25% but less than 100%, the Proposed Acquisition also constitutes a major transaction of the Company under the GEM Listing Rules. Given that the Vendor is the son of Mr. Wong, who is the chairman of the Company, an executive Director and a controlling Shareholder, and Mrs. Wong who is an executive Director. Accordingly, the Proposed Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, and is subject to reporting, announcement and approval of the Independent Shareholders by way of poll at the EGM. Each of Mr. Wong, Mrs. Wong and their respective associates is regarded as having material interests in the Proposed Acquisition and is required to abstain from voting on the resolution(s) to approve the Proposed Acquisition at the EGM. As at the date of this announcement, Mr. Wong, Mrs. Wong and their respective associates are, in aggregate, interested in 430,000,000 Shares, representing approximately 51.65% of the issued share capital of the Company.

GENERAL

A circular containing, among other information, further details of the Proposed Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the valuation report of the Forests prepared by the Independent Valuer, the financial information of the Target Group and a notice to convene the EGM, will be despatched to the Shareholders on or before 2 February 2016 in order to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Acquisition Agreement, the Proposed Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 12 January 2016 (before trading hours of the Stock Exchange), the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, (i) the Company has conditionally agreed to acquire from the Vendor the Sale Shares and (ii) the Vendor has agreed to assign to the Company, and the Company has agreed to accept the assignment of, the Sale Loan as the Consideration. Details of the Consideration are set out in the paragraph headed "Consideration" below.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out as follows:

Date : 12 January 2016

Parties

Vendor : Wong, Kin Ching

The Vendor is the son of Mr. Wong, who is the chairman of the Company, an executive Director and a controlling Shareholder and Mrs. Wong who is an executive Director. As such, the Vendor is regarded as a connected person of the Company under the GEM Listing Rules

Purchaser : The Company

Target : The entire issued share capital of Gifted Multitude Limited, which comprises the Sale Shares and the assignment of the Sale Loan

(1) Subject matter

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire from the Sale Shares and the assignment of the Sale Loan. The Sale Shares represents the entire issued share capital of the Target Company and the Sale Loan represents HK\$48 million owed to the Vendor by the Target Group as at 30 September 2015. The principal asset of the Target Company is its indirect 100% interest in the registered capital of Shaoguan Hongwei Forestry, which is principally engaged in the operation and management of the Forests.

(2) Consideration for the Proposed Acquisition

Pursuant to the Acquisition Agreement, the consideration for the Proposed Acquisition is HK\$150 million which will be satisfied through the allotment and issue of 348,837,209 new Shares, credit as fully paid, at an issue price of HK\$0.43 each by the Company to the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into consideration by the Company of various factors, including but not limited to (i) the factors stated in the section headed "Reasons for and Benefits of the Proposed Acquisition" set out below; (ii) the current financial position of the Group; (iii) the unaudited consolidated net asset value of the Target Group as at 30 September 2015; (iv) the preliminary market value of the Forests in its existing state as at 30 September 2015 as appraised by the Independent Valuer of no less than approximately RMB182,100,000; and (v) the actual amount of the Sale Loan as at the date of the Acquisition Agreement.

The preliminary valuation is subject to change upon finalisation and may or may not therefore be the same as the final valuation. A copy of the final valuation report, including details of the assumptions, basis and methodology of the valuation, will be included in the circular to be despatched to the Shareholders in relation to the Proposed Acquisition.

The preliminary valuation is carried out by the Independent Valuer based on the International Valuation Standards 2013 published by the International Valuation Standards Council which entitles the independent valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. The Independent Valuer has applied the market approach and adopted certain assumptions in preparing the preliminary valuation.

In light of the above, the Directors (excluding the independent non-executive Directors whose view will be given after considering the advice from the independent financial adviser) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

(3) Consideration Shares

The total of 348,837,209 Consideration Shares represents approximately 41.90% of the Company's existing issued share capital and approximately 29.53% of the Company's issued share capital as enlarged by the issue of the Consideration Shares.

The issue price of each Consideration Share is HK\$0.43:

- (a) represents a premium of approximately 4.88% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 11 January 2016 (being the last trading day immediately prior to this announcement);
- (b) equals to the average closing price of HK\$0.43 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including 11 January 2016 (being the last trading day immediately prior to this announcement); and

(c) represents a discount of approximately 2.27% over the average closing price of HK\$0.44 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 11 January 2016 (being the last trading day immediately prior to this announcement).

By the issue of Consideration Shares, the Company can retain its cash resources for its business operation as well as the operation after Completion of the Acquisition. As the Consideration represented a discount to the aggregate net asset value of the Target Company and the Sale Loan, and the Consideration Shares are to be issued at a premium to the closing price of the Shares on 11 January 2016, the Directors considered the basis for arriving the issue price per Consideration Share is fair and reasonable.

The Consideration Shares shall rank pari passu in all respects with the existing Shares then in issue on the relevant date of allotment.

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

(4) Shareholding Structure

The following table sets out the existing shareholding structure of the Company and the shareholding structure immediately after completion of the Proposed Acquisition:

	Existing shareholding structure		Shareholding structure upon completion of the Proposed Acquisition	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Mr. Wong and Mrs. Wong	430,000,000	51.65	430,000,000	36.40
Wong Kin Ching	–	–	348,837,209	29.53
Public Shareholders	<u>402,603,100</u>	<u>48.35</u>	<u>402,603,100</u>	<u>34.07</u>
TOTAL:	<u><u>832,603,100</u></u>	<u><u>100.00</u></u>	<u><u>1,181,440,309</u></u>	<u><u>100.00</u></u>

(5) Conditions Precedent

Completion of the Proposed Acquisition shall be conditional upon satisfaction (or where applicable, waiver by the Company) of, among other things, the following conditions:

- (a) the making of such audit, enquiries, investigations and due diligence reviews of the technical, business, legal, operations, human resources and financial position of the Target Group by the Company as it shall consider necessary and confirmation by the Company that the results of such audit, enquiries, investigations and due diligence reviews are reasonably satisfactory to the Company;
- (b) from the date of the Acquisition Agreement and up until the Completion Date, there is no occurrence of any event which would lead to or its result would lead to material adverse change to the financial, business, assets, intellectual properties, employees, operation results or prospectus of the Target Group;
- (c) the obtaining by the Company of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the terms of the Acquisition Agreement which may be required under the GEM Listing Rules, from the Stock Exchange or any governmental or regulatory authority;
- (d) approval by the Shareholders of the Proposed Acquisition, including the allotment and issue of the Consideration Shares under the Acquisition Agreement, at an extraordinary general meeting of the Company to be convened and held by the Company;
- (e) the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares; and
- (f) the Warranties remaining true, accurate and correct in all material respects and not misleading as if the Warranties are repeating by the Vendor at all times from the date of this Agreement to the Completion Date.

If the above conditions precedent have not been fulfilled or waived at the sole discretion of the Company and such waiver may be made subject to terms and conditions as determined by the Company (other than conditions (c), (d), (e) and (f) which may not be waived), on 12 April 2016 (or such later date as the Vendor and the Company may agree), the Acquisition Agreement shall cease to have any effect and the parties to the Acquisition Agreement shall have no further claims against the other under the Acquisition Agreement for costs, damages compensation or otherwise, save for antecedent breaches. The other conditions which are capable of being waived are intended to provide flexibility for the Company in implementing commercial transactions of the type of the Proposed Acquisition. Other conditions in the Acquisition Agreement which are indispensable and involve no element of subjectivity such as regulatory compliance and approvals are not capable of being waived. As at the date of this announcement, the Company has no present intention to waive any of the conditions and will only exercise its right to waive such conditions if it is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(6) Completion

Completion shall take place on the three (3) business day (or such other date as may be agreed by the Company and the Vendor) after all the conditions precedent to the Acquisition Agreement have been fulfilled (or, if applicable, waived by the Company).

INFORMATION ABOUT THE TARGET GROUP

(1) Target Company and its subsidiaries

Prior to the signing of the Acquisition Agreement, the Target Group has undergone a restructuring process to form the existing Target Group.

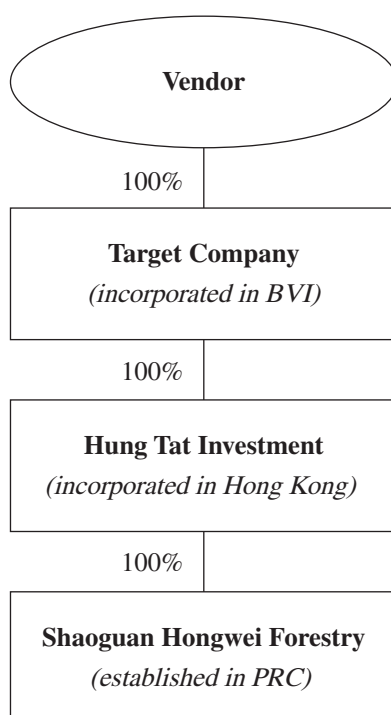
The Target Company was incorporated in the BVI on 5 May 2015 with limited liability as an investment holding company. Previously, Hung Tat Investment held two other subsidiaries in the PRC, which were disposed of by Hung Tat Investment on 3 August 2015. As at the date of this announcement, save for holding the entire issued share capital of Hung Tat Investment, the Target Company does not hold any other material investment or have any substantial business activities.

Hung Tat Investment was incorporated in Hong Kong on 16 May 2012 with limited liability as an investment holding company. As at the date of this announcement, save for holding the entire interest in the registered capital of Shaoguan Hongwei Forestry, Hung Tat Investment does not hold any other material investment or have any substantial business activities.

Shaoguan Hongwei Forestry is a company established in the PRC on 18 October 2010 which is principally engaged in forestry plantation business, including forestry planting and development. Hung Tat Investment has originally acquired Shaoguan Hongwei Forestry from Hong Kong Hung Wai Wooden Board Company (香港鴻偉人造板公司) (“HK Hung Wai Partnership”) in February 2013. HK Hung Wai Partnership was then a partnership established in Hong Kong with Mr. Wong and Mrs. Wong as partners. The total consideration paid by Hung Tat Investment for the acquisition was HK\$2,712,000. Apart from its ownership, management and operation of the Forests, Shaoguan Hongwei Forestry does not have any material operation as at the date of this announcement.

Between 2011 to 2013, Shaoguan Hongwei Forestry acquired the various pieces of forestries comprising the Forests at an aggregate costs of approximately RMB62.5 million.

The shareholding structure of the Target Group as at the date of this announcement is set out below:



(2) Business of the Target Group

Shaoguan Hongwei Forestry is principally engaged in forestry plantation business, including forestry plantation and development. The Forests include plantation and natural forests, which mainly consist of mature trees and bush timber that can be sold as raw material for construction purposes. The Directors expect that upon Completion and obtaining all necessary permits and approvals, the Forests will be used by the Group as raw materials for its production of particleboards or, subject to the demand supply of timber, be sold to other timber purchasing customers.

As at the date of this announcement, the Target Group has yet to commence either substantial harvesting or trading activities. There is no existing customer base nor any strategic alliance, cooperation or arrangement formed.

(3) Licences and permits

In order to carry out the operations and business of the Target Group, in addition to the business licence and the concession rights, the relevant laws provide that tree cutting permits are required for cutting the trees and timber transportation permits are required for transporting timber out of the forest area which will be applied for by stages according to the tree cutting and timber transportation plans of the Target Group. As at the date of this announcement, the Target Group has obtained four (4) tree cutting permits and 72 timber transportation permits.

Save as disclosed above, the PRC legal advisers of the Company advised that the Target Group has obtained all necessary licences and permits for the current stage of operations and business of the Target Group. It is the intention of the Company to apply for the additional licenses and approvals from relevant authorities on tree cutting and timber transportation from time to time after the completion, subject to the actual need of operation of the Group.

The Vendor has warranted the procurement of the above required licences and approval for the current operations of the Target Group prior to Completion. Such warranty is considered as a condition precedent to the Completion. In the event such warranty has not been met or waived at the sole discretion of the Company, the Acquisition Agreement shall cease to have any effect and the parties to the Acquisition Agreement shall have no further claims against the other under the Acquisition Agreement.

(4) Financial Information of the Target Group

The Target Group has undergone a restructuring process to form the existing Target Group. For details in relation to the restructuring process, please refer to the above section headed “(1) Target Companies and its subsidiaries”. Set out below are the key unaudited financial information of the Target Group for the period from 16 May 2012 (being the date of incorporation of Hung Tat Investment) to 31 December 2013, year ended 31 December 2014 and for the nine months period ended 30 September 2015 prepared in accordance with the Hong Kong Financial Reporting Standards:

Consolidated statements of profit or loss and other comprehensive income	Period from 16 May 2012 to 31 December 2013	Year ended 31 December 2014	Nine months period ended 30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	–	–	–
Profit/(loss) before tax	142,303	(4,922)	(16,498)
Profit/(loss) after tax	142,303	(4,922)	(16,498)

Consolidated statements of financial position	At 31 December 2013	At 31 December 2014	At 30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Total Assets	470,816	536,451	217,541
Total Liabilities	323,820	394,942	97,237
Net Assets	146,996	141,509	120,304

REASONS FOR AND BENEFIT OF THE PROPOSED ACQUISITION

The Group is principally engaged in the manufacturing and sales of particleboards, which are used primarily by the customers of the Group in the manufacturing of furniture, flooring panels, decorations and construction materials.

As disclosed in the Company's interim report of the six months ended 30 June 2015, the Company has always sought to expand the supplier based for the supply of the residual wood which primarily include unprocessed undersized log, wood branches, wood off-cuts and residues, forestry residues and wood waste ("**Residual Wood**"). Residual Wood is one of the most important raw material used by the Company in its production of particleboards. The Proposed Acquisition would provide the Company with a sustainable source of Residual Wood; as the source of Residual Wood is critical to the future performance of the Group. It further gives the Company a potential to influence the local timber supply market, diversify from its existing business and allows strategic planning by the Company.

GEM LISTING RULES IMPLICATION

Major Transactions

As the highest of all applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) for the Proposed Acquisition is more than 25% but less than 100%, the Proposed Acquisition constitutes a major transaction of the Company under the GEM Listing Rules.

Connected Transaction

Given that the Vendor is the son of Mr. Wong, who is the chairman of the Company, an executive Director and a controlling Shareholder, and Mrs. Wong who is an executive Director. Accordingly, the Proposed Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, and is subject to reporting, announcement and approval of the Independent Shareholders by way of poll at the EGM.

Each of Mr. Wong, Mrs. Wong and their respective associates is regarded as having material interests in the Proposed Acquisition and is required to abstain from voting on the resolution(s) to approve the Proposed Acquisition at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to (i) advise the Independent Shareholders as to whether the terms of the Acquisition Agreement to be entered for the Proposed Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and whether the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Proposed Acquisition after taking into account the recommendation of the independent financial adviser to be appointed by the Company.

The Board has appointed an independent financial adviser to the Independent Board Committee and the Independent Shareholders to give advice in relation to the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other information, further details of the Proposed Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the valuation report of the Forests prepared by the Independent Valuer, the financial information of the Target Group and a notice to convene the EGM, will be despatched to the Shareholders on or before 2 February 2016 in order to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Acquisition Agreement, the Proposed Acquisition may or may not proceed. Shareholders and potential Investors should exercise caution when dealing in securities of the Company.

DEFINITIONS

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

“Acquisition Agreement”	the acquisition agreement dated 12 January 2016 entered into between the Company and the Vendor in relation to the Proposed Acquisition
“associate(s)”	the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of directors of the Company

“business day”	a day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Company”	Hong Wei (Asia) Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the GEM Board of the Stock Exchange
“Completion”	completion of the Proposed Acquisition, which shall take place on the date which is three (3) business day after the date of satisfaction (or, if applicable, waived by the Company) of the conditions precedent in the Acquisition Agreement
“Completion Date”	date of Completion
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration of HK\$150 million for the Proposed Acquisition, as more particularly described in the section headed “The Acquisition Agreement – (2) Consideration for the Proposed Acquisition” herein
“Consideration Shares”	348,837,209 new Shares to be allotted and issued to the Vendor at the issue price of HK\$0.43 per Share, being part of the Consideration payable by the Company to the Vendor pursuant to the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if though fit, approve, among other things, the Proposed Acquisition and the transactions contemplated under the Acquisition Agreement
“Forests”	the forest lands with a total site area of approximately 41,146.90 Chinese mu located in Renhua County, Guangdong Province, the PRC
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hung Tat Investment”	Hung Tat Investment (Hong Kong) Company Limited (鴻達投資(香港)有限公司), a company incorporated in Hong Kong on 16 May 2012 with limited liability, a wholly owned subsidiary of the Target Company as at the date of this announcement
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Acquisition
“Independent Shareholders”	Shareholders (other than the Vendor, Mr. Wong, Mrs. Wong and their associates) which are not required to abstain from voting at the EGM
“Independent Valuer”	LCH (Asia-Pacific) Surveyors Limited, an independent professional qualified valuer appointed by the Company for the purpose of preparing a valuation report on the fair market value of the Forests indirectly owned by the Vendor
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange elected or appointed in accordance with the Article of Association of the Stock Exchange from time to time
“Mr. Wong”	Mr. Wong Cheung Lok (黃長樂), the chairman of the Board, an executive Director and a controlling Shareholder of the Company, and also the spouse of Mrs. Wong and father of the Vendor
“Mrs. Wong”	Ms. Cheung Ngar Kwan (張雅鈞), an Executive Director, the spouse of Mr. Wong and mother of the Vendor
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong and Macau Special Administrative Regions and Taiwan

“Proposed Acquisition”	the proposed acquisition for the entire issued share capital of the Target Company by the Company from the Vendor pursuant to the Acquisition Agreement
“Sale Loan”	represents the amount HK\$48 million owed to the Vendor by the Target Group as at 30 September 2015
“Sale Shares”	the entire issued share capital of the Target Company as at the date of Completion
“Shaoguan Hongwei Forestry”	a company established in the PRC on 18 October 2010, a wholly owned subsidiary of Hung Tat Investment as at the date of this announcement
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Gifted Multitude Limited, a company incorporated in the BVI on 5 May 2015 with limited liability and owned by the Vendor as to 100% as at the date of this announcement
“Target Group”	Target Company and its subsidiaries
“Vendor”	Mr. Wong Kin Ching (黃建澄), son of Mr. Wong, who is the chairman of the Company, an executive Director and a controlling Shareholder, and Mrs. Wong who is an executive Director

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“%” per cent

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

Hong Kong, 12 January 2016

At the date of this announcement, the executive Directors are Mr. Wong Cheung Lok, Ms. Cheung Ngar Kwan, Ms. Huang Xiuyan and Mr. Liu Jiayong; the non-executive Directors are Mr. Ong Chor Wei and Mr. Lai Ming Wai; and the independent non-executive Directors are Dr. Xu Jianmin, Ms. Qian Xiaoyu and Mr. Wong Hei Chiu.

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.

This announcement, for which the directors of the issuer collectively and individually accept fully responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. 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.