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## **AOWEI HOLDING LIMITED**

**奧威控股有限公司**

*(incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)*

**(Stock Code: 1370)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF TARGET ASSETS**

#### **THE ASSET PURCHASE AGREEMENT**

The Board is pleased to announce that on 25 June 2021 (after trading hours), the Purchaser (an indirect wholly owned subsidiary of the Company) entered into the Asset Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor agreed to sell, free from encumbrances, the Target Assets at a consideration of RMB294,837,000.

#### **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Asset Purchase Agreement and the transaction contemplated thereunder constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that the Closing is subject to the satisfaction of the conditions precedent. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in any securities of the Company.**

#### **INTRODUCTION**

The Board is pleased to announce that, on 25 June 2021 (after trading hours), the Purchaser entered into the Asset Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor agreed to sell, free from encumbrances, the Target Assets at a consideration of RMB294,837,000. The principal terms of the Asset Purchase Agreement are set out below:

## ASSET PURCHASE AGREEMENT

Date: 25 June 2021 (after trading hours)

Vendor: Laiyuan County Zengzhi Construction Materials Co., Ltd.\* (涇源縣增志建材有限公司)

To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Purchaser: Laiyuan County Jingyuancheng Mining Co., Ltd\* (涇源縣京源城礦業有限公司)

Target Assets: The Target Assets comprise of (a) ownership of one of the sub-projects, Shuanmazhuang (栓馬樁) of 2.7 million tons sand and gravel materials per annum of the comprehensive utilization project of 13.4 million tons solid wastes per annum in Baidaoan Village, Zoumayi Town, Laiyuan County\* (涇源縣走馬驛鎮白道安村1340萬噸／年固廢綜合利用項目) (“**Project 2#Shuanmazhuang**”)\*(2#栓馬樁項目); (b) the properties, plants and equipment owned or utilized by the Vendor in relation to Project 2#Shuanmazhuang buildings and various ancillary structures erected thereon with total gross floor area of approximately 37,805.10 square meters. The buildings mainly include production plants, storage houses, transfer stations and ancillary buildings; and (ii) machineries and equipment used in the manufacturing of gravel materials for construction from solid wastes with processing capacity of 2.7 million tons of solid wastes per annum; (c) all the approval documents, qualifications, licenses, permits, approvals, certificates of rights, drawings, documents, etc. owned by the Vendor in relation to Project 2#Shuanmazhuang; (d) all the guarantees, rights of claim, set-off, creditor’s rights or other similar rights in relation to the Target Assets

Consideration: The Consideration payable by the Purchaser to the Vendor for the purchase of the Target Assets is RMB294,837,000, which was determined after arm’s length negotiation between the Vendor and the Purchaser on normal commercial terms by reference to and having taken into account of the following factor:

the fair value in the Valuation Report in respect of the Target Assets dated 23 June 2021 prepared by the Valuer, which was endorsed by the Vendor and Purchaser with the valuation date being 30 April 2021, the depreciated replacement cost approach and market approach was adopted by the Valuer

The Consideration will be funded by the Group with self-financing.

Terms of payment: The Consideration shall be payable as follows:

- (a) The Purchaser shall pay RMB100,000,000 (the first instalment) to the Vendor within 3 working days from the effective date of the Asset Purchase Agreement;
- (b) The Purchaser shall pay RMB100,000,000 (the second instalment) to the Vendor within 3 working days from the Closing date;

- (c) The Purchaser shall pay RMB80,095,150 (the third instalment) to the Vendor within 3 working days after the handover of qualifications and licenses is completed; and
- (d) The Purchaser shall pay the remaining RMB14,741,850 (the fourth instalment) to the Vendor within 3 working days after the expiry date of the Vendor's guarantees (i.e., 2 years after the completion of assets delivery)

Closing: Within 15 days from the date of signing the of Asset Purchase Agreement, both parties will arrange for the delivery of the Target Assets based on the Valuation Report and after on-site inspection. The Purchaser will take over the Target Assets and be responsible for the operation, management and income of the Target Assets after Closing

Conditions precedent: Unless it is waived in writing by the Purchaser, the Asset Purchase Agreement, however expressed therein, shall be based on the full satisfaction of the following conditions precedent:

- (a) The Purchaser completes a due diligence review of the Target Assets and the Purchaser is satisfied with the results of the due diligence;
- (b) The warranties given by the Vendor in the Asset Purchase Agreement are true, accurate and complete in all respects as of the Closing date, based on the facts and circumstances as of the Closing date;
- (c) There has been no material adverse change in the Target Assets since the date of signing of the Asset Purchase Agreement and no event has occurred that would have material adverse effect on the business, prospects, operations or condition of the Target Assets; and
- (d) For the execution and performance of the Asset Purchase Agreement and any transactions contemplated therein, all necessary authorizations, approvals, consents, licenses, filings or registrations required have been made or obtained from the authorities, including (but not limited to) the board, the relevant competent governmental authorities or other third parties (if required).

## **INFORMATION ON THE COMPANY AND THE GROUP**

The Company is an investment holding company. The Group are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates, (ii) the production and sale of sand and gravel for construction, and (iii) the provision of hospital management services. The Group owns and operates three mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in the People's Republic of China.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a limited liability company established in the PRC and is principally engaged in mining investment and investment advisory services. The Purchaser is an indirect wholly-owned subsidiary of the Company.

## **INFORMATION ON THE VENDOR**

The Vendor is a limited liability company established in the PRC and is principally engaged in the production and sale of sand and gravel for construction, manufacture and sale of cement products; wholesale and retail of building materials, construction machinery and equipment rental business. To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, Mr. Xu Fuqiang (許富強) and Mr. Wu Rongsheng (吳容生), are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

In recent years, the national ecological and environmental protection policies continue to strengthen, the Company adheres to the ecological priority, practices the concept of green development and takes advantage of the great opportunity of Beijing-Tianjin-Hebei synergistic development and the construction of Xiongan New Area, Baoding and Cangzhou districts. Through the comprehensive utilization of solid wastes, actively carried out the green construction materials construction sand and gravel materials business since 2019, with the ability to promote energy saving and emission reduction, effective regional ecological environment treatment and restoration and also to achieve the sustainable development of mining resources development. Our Company has been successfully shortlisted as a qualified supplier of sand and gravel materials for Xiongan New Area by leveraging on our advanced equipment, quality products and the national policies support in relation to re-use of solid waste, green mines and environmental protection.

As the large-scale construction in the Xiongan New Area continues to heat up, the volume of construction works will increase rapidly, leading to a significant increase in the demand for sand and gravel materials in the Xiongan New Area, with an estimated demand of 120-130 million tons per year from 2021 to 2025; and a total demand of nearly 1 billion tonnes from 2026 to 2035.

Baoding is the southern gateway to the capital city, Beijing, in order to provide the capital with “blue sky and white clouds”, Baoding has been adopting an aggressive attitude towards environmental protection, and unlikely to grant any new mining rights. The PRC has introduced a number of policies on ecological protection, banning river sand mining and cracking down on it. In such context, the demand for sand and gravel materials is expected to rise sharply, as the machine-made sand and gravel materials (produced by the consumption of solid wastes) become an irreversible trend. The demand will outgrow production for a long period and the price for sand and gravel will rise continuously. At the same time, it will also reduce the operating costs of the Company’s iron ore business (e.g., iron ore production costs and solid waste storage and transportation treatment costs).

In summary, the Company plans to expand the Company’s sand and gravel materials production capacity and expand the Company’s market share of sand and gravel materials in and around Xiongan New Area to achieve higher economic benefits by acquiring Project 2#Shuanmazhuang in order to hold onto the market situation better.

In view of the foregoing, the Directors consider that the terms of the Asset Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## LISTING RULE IMPLICATIONS

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Asset Purchase Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 29 March 2021 and will remain suspended until further notice.

**Shareholders and potential investors of the Company should note that the Closing is subject to the satisfaction of the conditions precedent. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in any securities of the Company.**

## DEFINITIONS

Unless the context requires otherwise, the use of capitalized terms in this announcement shall have the following meanings:

“Acquisition”	the purchase of the Target Assets by the Purchaser in accordance with the terms of the Asset Purchase Agreement
“Asset Purchase Agreement”	the agreement dated 25 June 2021 entered into between the Purchaser and the Vendor relating to the Acquisition
“Board”	the board of Directors
“Company”	Aowei Holding Limited (奧威控股有限公司) (formerly known as Hengshi Mining Investments Limited (恒實礦業投資有限公司)), a company incorporated in the British Virgin Islands and continued in the Caymans Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Closing”	Within 15 days from the date of signing of the Asset Purchase Agreement, both parties will arrange for the delivery of the Target Assets based on the Valuation Report and after on-site inspection. The Purchaser will take over the Target Assets and be responsible for the operation, management and income of the Target Assets after Closing
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration for the Acquisition in the sum of RMB294,837,000
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and its connected persons
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Laiyuan County Jingyuancheng Mining Co., Ltd* (涇源縣京源城礦業有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Target Assets”	The assets that the Purchaser conditionally agreed to purchase, and the Vendor agreed to sell at the Consideration pursuant to the Asset Purchase Agreement
“Valuer”	AVISTA Valuation Advisory Limited* (艾華迪評估諮詢有限公司), an independent professional asset valuer appointed for the Acquisition
“Valuation Report”	the valuation report prepared by the Valuer dated 23 June 2021
“Vendor”	Laiyuan County Zengzhi Construction Materials Co., Ltd.* (涇源縣增志建材有限公司) a limited liability company established in the PRC and an Independent Third Party. As at the date of this announcement, Laiyuan County Zengzhi Construction Materials Co., Ltd. is owned as to 66.7% by Mr. Xu Fuqiang (許富強) and 33.3% by Mr. Wu Rongsheng (吳容生) respectively.

By order of the Board  
**Aowei Holding Limited**  
**Mr. Li Yanjun**  
*Chairman*

Beijing, the PRC, 25 June 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. Li Yanjun, Mr. Li Ziwei, Mr. Sun Jianhua, and Mr. Tu Quanping and the independent non-executive Directors of the Company are Mr. Wong Sze Lok, Mr. Ge Xinjian and Mr. Meng Likun.*

\* For identification purpose only