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Wenye Group Holdings Limited

文業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1802)

(1) INSIDE INFORMATION

TERMINATION OF MEMORANDUM OF UNDERSTANDING; AND (2) SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

TERMINATION OF MEMORANDUM OF UNDERSTANDING

References are made to the announcements of the Company dated 17 May 2022 and 19 May 2022 in relation to, among other things, the memorandum of understanding (the “**MOU**”) in relation to the proposed subscription of 118,800,000 new shares of the Company by Shenzhen Yingfeng Zhongyangxing Fund Management Co., Ltd.* (深圳盈峰中養星基金管理有限公司) (the “**Potential Subscriber**”).

As the parties to the MOU could not mutually agree on the terms and conditions to finalise the formal subscription agreement, after further negotiation and discussion, the parties decided not to proceed with the proposed subscription. Therefore, on 11 July 2022 (after trading hours), the Company and the Potential Subscriber entered into a termination agreement to terminate the MOU with immediate effect.

The Directors are of the view that the termination of the MOU does not have any material impact on the business operation and financial position of the Group.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 11 July 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 118,800,000 Subscription Shares at the aggregate Subscription Price of HK\$76,032,000 (equivalent to HK\$0.64 per Subscription Share) on and subject to the terms and conditions set out therein.

The Subscription Shares will be allotted and issued by the Company pursuant to the General Mandate. The Subscription Shares represent 20% of the existing total number of issued Shares as at the date of this announcement and approximately 16.67% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the total number of issued Shares from the date of this announcement until the completion of the Subscription).

The gross proceeds from the Subscription will be HK\$76,032,000 and the net proceeds after deducting relevant expenses are expected to be approximately HK\$75,232,000. The Company intends to apply the net proceeds of approximately HK\$45,000,000 for repayment of bank loans owed by the Group and settlement of claims of the judgment creditor of the Group and approximately HK\$30,232,000 for general working capital of the Group.

The Directors considered that the Subscription is in the interest of the Company and the Shareholders as a whole and that it represents a good opportunity to raise additional funds for the Company, to improve the indebtedness position and to strengthen the cash flow position of the Company.

The Subscription Agreement is conditional upon, inter alia, the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Subscription Shares.

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

WARNING OF THE RISKS OF DEALING IN THE SHARES

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement and therefore, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 13 May 2022 pending the publication of the announcement in relation to the audited financial results of the Group for the year ended 31 December 2021.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

TERMINATION OF MEMORANDUM OF UNDERSTANDING

References are made to the announcements of the Company dated 17 May 2022 and 19 May 2022 in relation to, among other things, the memorandum of understanding (the “**MOU**”) in relation to the proposed subscription of 118,800,000 new shares of the Company by Shenzhen Yingfeng Zhongyangxing Fund Management Co., Ltd.* (深圳盈峰中養星基金管理有限公司) (the “**Potential Subscriber**”).

As the parties to the MOU could not mutually agree on the terms and conditions to finalise the formal subscription agreement, after further negotiation and discussion, the parties decided not to proceed with the proposed subscription. Therefore, on 11 July 2022 (after trading hours), the Company and the Potential Subscriber entered into a termination agreement to terminate the MOU with immediate effect.

The Directors are of the view that the termination of the MOU does not have any material impact on the business operation and financial position of the Group.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 11 July 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 118,800,000 Subscription Shares at the aggregate Subscription Price of HK\$76,032,000 (equivalent to HK\$0.64 per Subscription Share) on and subject to the terms and conditions set out therein.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarized below:

Date

11 July 2022 (after trading hours)

Parties

- (1) the Company as issuer; and
- (2) the Subscriber as subscriber.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Subscriber and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 118,800,000 Subscription Shares at the aggregate Subscription Price of HK\$76,032,000 (equivalent to a Subscription Price of HK\$0.64 per Subscription Share).

The Subscription Shares

The 118,800,000 Subscription Shares represents 20% of the existing total number of issued Shares as at the date of this announcement and approximately 16.67% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the total number of issued Shares from the date of this announcement until the completion of the Subscription).

The aggregate nominal value of the Subscription Shares is HK\$11,880.

The Subscription Price

The Subscription Price of HK\$0.64 per Subscription Share represents:

- (i) a discount of approximately 11.1% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on 12 May 2022, being the last trading day prior to the suspension of trading of the Shares on 13 May 2022; and
- (ii) a discount of approximately 24.7% to the average closing price of HK\$0.85 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the suspension of trading of the Shares on 13 May 2022.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price and condition of Shares and the prospects of the Group. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Based on the estimated expenses for the Subscription, the net Subscription Price is approximately HK\$0.633 per Subscription Share.

Ranking of Subscription Shares

The Subscription Shares when issued will rank *pari passu* with, and carry the same rights in all respects as the other Shares then in issue (including the right to participate in any dividends declared, made or paid with a dividend record date which falls on or after the date of issue of the Subscription Shares).

Conditions precedent of the Subscription

Completion of the Subscription Agreement shall be conditional upon the following conditions precedent being satisfied (or if applicable, waived by the Subscriber):

- (a) the compliance with the requirements of the Stock Exchange and the Listing Rules, including but not limited to the listing of and permission to deal in all of the Subscription Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to customary conditions);
- (b) the representations, warranties and undertakings of the Company remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at completion of the Subscription;
- (c) the representations, warranties and undertakings of the Subscriber remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at completion of the Subscription; and
- (d) each of the parties to the Subscription Agreement having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement on or prior to the completion date of the Subscription.

Save that the Subscriber has the right to waive conditions (b) and/or (d) above and the Company has the right to waive conditions (c) and/or (d) above, none of the above conditions may be waived.

In the event any of the above conditions precedent is not fulfilled (or being waived by any parties to the Subscription Agreement, as applicable), at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the obligations of the parties under the Subscription Agreement shall forthwith cease to be of any effect and none of the parties to the Subscription Agreement shall be bound to carry out the remaining terms of the Subscription Agreement and no party to the Subscription Agreement shall have any right to damages or reimbursement for any cost and expenses that it may have incurred in connection with or arising out of the Subscription Agreement or the failure to complete the Subscription, save for any antecedent breaches thereof.

Completion

Completion of the Subscription Agreement will take place on a date no later than five (5) Business Days after the fulfillment (or waiver, as the case may be) of the conditions referred to above. The Company shall issue the relevant Subscription Shares to the Subscriber on the completion date of the Subscription.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Subscription (assuming no further change in the Company's issued share capital from the date of this announcement up to completion of the Subscription) are as follows:

Shareholders	Existing shareholding structure as at the date of this announcement		Shareholding structure immediately upon completion of the Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Directors & substantial Shareholders</i>				
Mr. Fan Shaozhou (Note 1)	207,599,150	34.95	207,599,150	29.12
Mr. Chen Li (Note 2)	19,350,000	3.26	19,350,000	2.72
Mr. Peng Weizhou (Note 3)	18,561,066	3.12	18,561,066	2.60
Mr. Deng Guanghui	8,100,000	1.36	8,100,000	1.14
Mr. Wan Neng	4,500,000	0.76	4,500,000	0.63
<i>Public Shareholders</i>				
Subscriber	—	—	118,800,000	16.67
Public Shareholders	335,889,784	56.55	335,889,784	47.12
Total	594,000,000	100.00	712,800,000	100.00

Notes:

- Mr. Fan Shaozhou directly holds 32,482,000 Shares. Fanshaozhou Holdings Limited is indirectly wholly-owned by CMB Wing Lung (Trustee) Limited, the Trustee of Modest Faith Trust (the “**Fan Family Trust**”). The Fan Family Trust is a discretionary family trust established by Mr. Fan Shaozhou and for the benefit of himself. Fanshaozhou Holdings Limited directly holds 175,117,150 Shares.
- Chenli Holdings Limited is indirectly wholly-owned by CMB Wing Lung (Trustee) Limited, the Trustee of Legend Trust (the “**Chen Family Trust**”). The Chen Family Trust is a discretionary family trust established by Mr. Chen Li and for the benefit of himself.

- (3) Mr. Peng Weizhou holds 18.75% of the share capital of Wenye Elite Holdings Limited (“**Wenye Elite Holdings**”). Wenye Elite Holdings holds 72,000,000 Shares directly, and holds 26,992,350 Shares through its wholly-owned subsidiary, Wenye Innovator Holdings Limited (“**ESOP Holdings**”). ESOP Holdings holds the Shares as a settlor for the Shares on trust under the restricted share unit scheme adopted by the then Directors of the Company on 13 March 2019.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is a building decoration services provider and, being a listed company on the Main Board of the Stock Exchange, commits to the further development of the Group’s business, strengthening the Group’s capital base and enhancing its corporate image and brand awareness.

The gross proceeds from the Subscription will be HK\$76,032,000 and the net proceeds after deducting relevant expenses are expected to be approximately HK\$75,232,000. The Company intends to apply the net proceeds of approximately HK\$45,000,000 for repayment of bank loans owed by the Group and settlement of claims of the judgment creditor of the Group and approximately HK\$30,232,000 for general working capital of the Group. The net Subscription Price for each Subscription Share is approximately HK\$0.633.

The Directors considered that the Subscription is in the interest of the Company and the Shareholders as a whole and that it represents a good opportunity to raise additional funds for the Company, to improve the indebtedness position and to strengthen the cash flow position of the Company.

The Directors consider that the terms of the Subscription Agreement, the Subscription and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

No Shareholders’ approval is required for the Subscription, and the Subscription Shares will be allotted and issued by the Company pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 23 June 2021. At that annual general meeting, the Shareholders have granted to the Directors, among others, the General Mandate to issue up to 118,800,000 Shares, representing 20% of the total number of issued Shares as at the date of the passing of the General Mandate. 118,800,000 Subscription Shares will be issued pursuant to the Subscription. Accordingly, up to 118,800,000 new Shares will be allotted and issued under the General Mandate upon completion of the Subscription. As at the date of this announcement, no Shares have been issued pursuant to the General Mandate.

APPLICATION FOR LISTING

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

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities by way of issue of equity securities in the past 12 months immediately prior to the date of this announcement.

INFORMATION ON THE COMPANY

The Company is a China-based investment holding company and, through its subsidiaries, mainly engages in the provision of interior and exterior building decoration and design services.

INFORMATION ON THE SUBSCRIBER

Mr. Li Yu Yue and Ms. Lin Shu Xian indirectly own 60% and 40% of the beneficial interest in the Subscriber, respectively.

The Subscriber is a company established in the PRC which is committed to the whole industry chain of yak, including three core business sectors: biotechnology, agriculture and animal husbandry technology, and chain catering. It promotes the full marketization of new yak meat ingredients through planting grass, extracting SOD raw materials, cattle feed production, yak breeding and live animal trading, chain catering, and importing frozen meat, and promotes the comprehensive marketization of new yak meat ingredients and the development of the health industry through the supply of healthy ingredients.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement and therefore, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 13 May 2022 pending the publication of the announcement in relation to the audited financial results of the Group for the year ended 31 December 2021.

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong;
“Company”	Wenye Group Holdings Limited (Stock Code: 1802), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 23 June 2021 to allot and issue up to 118,800,000 Shares, being 20% of the total number of Shares in issue as at the date of such annual general meeting;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with or acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates;

“Listing Committee”	has the meaning ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the main board;
“Long Stop Date”	31 July 2022;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	the ordinary shares of HK\$0.0001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Jiayong Holdings (Shenzhen) Co., Ltd.* (嘉雍控股 (深圳) 有限公司), a company established in the PRC with limited liability;
“Subscription”	the subscription by the Subscriber for, and the allotment and issue by the Company of, the Subscription Shares pursuant to the terms of the Subscription Agreement;
“Subscription Agreement”	the conditional subscription agreement dated 11 July 2022 and entered into between the Company and the Subscriber;
“Subscription Price”	HK\$0.64 per Subscription Share;
“Subscription Shares”	118,800,000 new Shares to be allotted and issued to the Subscriber under the Subscription Agreement;

“%”

per cent.

By order of the Board
Wenye Group Holdings Limited
Fan Shaozhou
Chairman and Chief Executive Officer

Shenzhen, PRC, 11 July 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Fan Shaozhou, Mr. Wan Neng and Mr. Peng Weizhou; the non-executive Directors of the Company are Mr. Deng Guanghui and Mr. Chen Li; and the independent non-executive directors of the Company are Mr. Liu Xiaoyi, Mr. Gao Rongshun and Mr. Yi Xiaopei.

* *For identification purpose only*