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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)**

## **SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF TARGET ASSETS**

Reference is made to the announcement (the “**Announcement**”) of the Company dated 25 June 2021 in relation to the acquisition of the Target Assets. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide the Shareholders and potential investors of the Company with supplemental information relating to the Acquisition as follows:

### **SUPPLEMENTAL INFORMATION ON THE VALUATION OF THE TARGET ASSETS**

According to the Valuation Report, the fair value of the Target Assets as at 30 April 2021 amounted to RMB294,837,000, comprising (1) the reference value of the buildings under the depreciated replacement cost approach of RMB236,960,000; and (2) the commercial value of machineries and equipment under the market approach and depreciated replacement cost approach of RMB57,877,000.

### **Major assumptions made on the Target Assets**

When appraising the Target Assets, the major assumptions adopted by the Valuer are as follows:

- (1). The Target Assets can be sold in the market in its existing state without the benefit of deferred terms contracts, sale and leaseback, joint ventures, management agreements or any similar arrangements which would affect the value of the Target Assets;

- (2). No consideration has been given to any charges, mortgage or debt owed by the Target Assets, and any expenses or taxes that may be incurred during the sale process. Unless otherwise specified, the Valuer assumed that the Target Assets are free from encumbrances, restrictions and expenses of an onerous nature that can affect their value;
- (3). For buildings under the Target Assets that have not yet applied for title certificates, it is assumed that the management will undergo relevant procedures in obtaining such title certificates during subsequent period. There is no legal obstacle to obtaining the title certificates, so it will not have a significant impact on the value of the Target Assets;
- (4). There is no issue regarding the suitability for the construction and development of the Target Assets at the location where the Target Assets are situated, and there will be no unexpected costs and delays during the construction period;
- (5). There is no decay, pest infestation or any other structural damage inside the buildings of the Target Assets within the assessment scope; and
- (6). The Target Assets are in normal operating state in the market and can generate economic benefits.

Regarding assumption (3) above, at the date of the Asset Purchase Agreement, the buildings under the Target Assets have yet to obtain the title certificates. Therefore, the Valuer did not assign commercial value to the buildings in the Valuation Report. However, as stated in the Valuation Report, assuming that title certificates have been obtained and the buildings can be freely transferred, the reference value of the buildings as at 30 April 2021 is RMB236,960,000.

In light of the above, the Company has requested and reviewed the certification letter issued by the Laiyuan County Natural Resources and Planning Bureau\* (涇源縣自然資源和規劃局) on 18 June 2021 provided by the Vendor and has appointed a PRC legal adviser to provide legal advice on the property rights.

The Company is of the view that (1) the construction process of the Project 2#Shuanmazhuang complied with relevant laws, regulations and normative documents related to land management, construction land planning, construction project planning, and real estate registration, and there is no violation of land management, construction land planning, and construction project planning, and real estate registration related laws, regulations, policies are subject to penalties, investigations, or other legal procedures; and (2) in the event that the Company continues to use the properties and factory buildings in accordance with the existing methods and purposes, there is no legal obstacle in applying for the title certificates, construction land planning permit and construction project planning permit.

Based on the above, the Company is of the view that the appraised value of the Target Assets as at 30 April 2021 in the Valuation Report is a fair and reasonable basis in determining the consideration of the buildings part of the Target Assets.

## **Major assumptions made on the buildings under the Target Assets**

1. According to the information provided by the Company, the buildings has not yet applied the title certificates. According to the legal opinions on property rights and interests provided by the Company's PRC legal adviser, the construction process of the relevant project complies with the relevant laws, regulations and regulatory documents related to land management, construction land planning, construction project planning, and real estate registration, and there is no violation of the relevant laws, regulations and regulatory documents, and not subject to any violation on land management, construction land planning, construction project planning, and real estate registration related laws, regulations, and policies which may subject to punishment, investigation, or other legal procedures. In the event that the Company continues to use the property land and factory buildings in accordance with the existing methods and purposes, there is no legal obstacle in applying for the title certificates, construction land planning permit and construction project planning permit;
2. It is assumed that the relevant properties have obtained all relevant title certificates and that these buildings are freely transferable; and
3. When estimating the reference value of the Target Assets, following considerations and assumptions were applied:
  - Useful Life: 30 years
  - Residual value: 15%

## **Major assumptions made on the machineries and equipment under the Target Assets**

1. Regarding the transportation equipment in the machineries and equipment, the Valuer has compared the transportation equipment with comparable market cases, and took into account of factors such as model, brand, and year of production, and concludes that the market price of the target transportation equipment was ranged from approximately RMB250,000 to RMB300,000; and
2. The Valuer understands the status of the machineries and equipment by reviewing the information related to the machineries and equipment provided by the Company. When estimating the fair value of the machineries and equipment, following considerations and assumptions were applied:
  - Useful life: 10-18 years
  - Residual value: 15%

## **SUPPLEMENTAL INFORMATION ON THE ACQUISITION AND THE TARGET ASSETS**

According to the information provided by the Vendor and after having obtained legal opinion from the Company's PRC legal adviser, the construction of the Project 2#Shuanmazhuang was completed and save for the title certificates, the construction land planning permit and the construction project planning permit in connection with the buildings under the Target Assets, the Project 2#Shuanmazhuang had obtained necessary approvals and consents from relevant government authorities as at the date of the Asset Purchase Agreement.

Having considered that (1) immediately prior to the entering into of the Asset Purchase Agreement, the Target Assets were used by the Vendor as production plant and there was no any lease and/or business contract attached to the Target Assets that distinctive revenue and related incidental costs could be attributable to the Target Assets; and (2) upon Closing, the Company would still need to modify and upgrade the Target Assets in order for the Target Assets to meet the Company's manufacturing standards and quality requirements of the Company's products. Therefore, the Target Assets are not revenue-generating assets with an identifiable income stream and the requirements under Rule 14.58(7) of the Listing Rules are not applicable.

According to the information provided by the Vendor, book value of the Target Assets as at 30 April 2021 was RMB282,746,165.

## **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.

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

Beijing, the PRC, 7 July 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*