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WAC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8619)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 23.4% ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE; AND

OPTION TO ACQUIRE UP TO AN ADDITIONAL 6.6% EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 9 July 2021 (after trading hours of the Stock Exchange), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares, representing 23.4% of the issued share capital of the Target Company.

The Consideration for the Acquisition is HK\$18,252,000. The Consideration shall be satisfied by the allotment and issue of 192,000,000 Consideration Shares to the Vendor at Completion. The Consideration Shares will be issued under the General Mandate.

Pursuant to the Agreement, the Vendor has additionally and conditionally granted to the Purchaser the right to acquire up to a further 6.6% equity interest in the Target Company from the Vendor, which right is exercisable at the sole discretion of the Purchaser within two (2) years after the Completion, at a consideration of up to HK\$5,148,000, or pro rata amount for a partial exercise.

GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in relation to the Acquisition exceed 5% but are less than 25%, the Acquisition shall constitute a discloseable transaction of the Company and is subject to the notification and announcement requirement under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that the Completion of the Acquisition is subject to the fulfilment (or waiver, if applicable) of certain conditions precedents under the Sale and Purchase Agreement, and Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

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The principal terms of the Agreement are set out below:

THE AGREEMENT

Date 9 July 2021

Parties The Vendor;
 The Company; and
 The Purchaser.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares, representing 23.4% of the issued share capital of the Target Company will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Agreement. Details of the Target Group are set out in the section headed “Information on the Target Group” below.

Consideration

The Consideration payable by the Purchaser to the Vendor is HK\$18,252,000 for the Sale Shares, which shall be satisfied by the allotment and issue by the Company to the Vendor (or its nominee(s)) of the Consideration Shares under the General Mandate, credited as fully paid, at an issue price of approximately HK\$0.095 per Consideration Share at Completion.

The Consideration was determined following arm's length negotiations between the parties to the Agreement. Having considered (i) the Profit Guarantee to the Consideration (the details of which set out in the section headed "Profit Guarantee" below); (ii) the discounted average price-to-earnings ratio of thirteen (13) times of the comparable companies of the Target HK Subsidiary; and (iii) other reasons and benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" below, the Directors are of the view that the Consideration and the terms and conditions of the Agreement are fair and reasonable.

Consideration Shares

The Consideration Shares represent (i) approximately 20.00% of the total issued Shares of the Company as at the date of this announcement; and (ii) approximately 16.67% of the total issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company). Accordingly, the allotment and issue of the Consideration Shares fall within the General Mandate and is not subject to the further approval of the Shareholders.

The issue price of the Consideration Shares (i.e. approximately HK\$0.095) represents:

- (i) approximately the equivalent of the closing price of HK\$0.095 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a discount of approximately 1.0% to the average closing price of HK\$0.096 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days of the Shares immediately prior to the date of the Agreement.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Vendor, the Purchaser and the Company with reference to the current market price of the Shares. The Directors consider that the issue price of the Consideration Shares is fair and reasonable and on normal commercial terms.

Conditions precedent

Completion of the Agreement shall be conditional upon fulfilment (or, as the case may be, a waiver) of the following conditions precedent:

- (a) all requisite consents, licences and approvals in connection with the entering into and performance of the Agreement and the transactions contemplated thereunder having been obtained by the Vendor, the Purchaser and/or any member of the Group and, if subject to conditions, on such conditions acceptable to the Purchaser, and such consents, licenses and approval remaining in full force and effect and not being revoked;
- (b) the Vendor being, and remaining, the sole shareholder of the Target Group by being the sole shareholder of the Target Company immediately prior to Completion;
- (c) the Target Company being and remaining, the sole shareholder of the Target HK Subsidiary immediately prior to Completion;
- (d) the GEM Listing Committee of the Stock Exchange having approved the listing of and the permission to deal in the Consideration Shares, and such approval shall not be threatened with any revocation, withdrawal or cancellation at any time prior to Completion;
- (e) the Sale Shares being free from any encumbrance and third-party rights of any kind;
- (f) the Company and the Purchaser being satisfied that all guarantees, representations, and warranties given by the Vendor under the Agreement remaining valid, true and correct in all respects;
- (g) the Target Group not being involved in any litigation, and the Target Group not being insolvent and not having been presented or threatened with any winding-up petition or application for receivership;
- (h) completion of the business, financial and legal due diligence by the Purchaser on the Target Group and the Sale Shares, and the results thereof being reasonably satisfactory to the Purchaser; and
- (i) the consummation of the transactions contemplated pursuant to the Agreement not having been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, including any order, injunction, decree or judgment of any court or other governmental authority of competent jurisdiction.

Save for condition (d) above, the Purchaser may waive one or more of the above conditions at its sole discretion. Each party shall use its reasonable endeavours to procure that the conditions precedent are fulfilled as soon as practicable, and in any event no later than the Long Stop Date. If any of the conditions precedent are not fulfilled or waived by the Long Stop Date, the Agreement shall terminate and cease to have effect on the Long Stop

Date save for the rights of the Purchaser and the Vendor to claim the other in respect of any antecedent breaches or any rights or remedies which shall have accrued prior to termination.

The Option to exercise the Additional Acquisition

The Vendor has additionally granted to the Purchaser the Option to exercise the Additional Acquisition, pursuant to which the Purchaser has the right to acquire up to a further 6.6% equity interest in the Target Company from the Vendor, which right is exercisable from time to time at the sole discretion of the Purchaser, in whole or in part, within two (2) years after the Completion, at a consideration of HK\$5,148,000 if fully exercised, or pro rata amount if partially exercised. There is no premium for the Option.

Completion

Subject to the fulfilment (or, where applicable, waiver) of the Conditions Precedent, Completion shall take place on the Completion Date at such place as the parties shall agree in writing at 4:00 p.m. (or at such other time as the Vendor and the Purchaser may agree).

Profit Guarantee

The Vendor irrevocably and unconditionally warrants and guarantees to the Purchaser that the audited net profit after taxation of the Target HK Subsidiary for the Guaranteed Period shall not be less than HK\$6,000,000. Auditors will be procured by the Vendor to provide the audited financial statements of the Target HK Subsidiary for the Guaranteed Period on or before 30 April 2022. Details are as follows:

- (i) in the event that the Target HK Subsidiary records a profit but fails to achieve the Guaranteed Profit for the Guaranteed Period, the Vendor shall compensate the Purchaser in the sum equivalent to thirteen (13) times the difference between the Guaranteed Profit and the actual profit, times 23.4%, in cash within five (5) Business Days upon the Purchaser serving a written notice to the Vendor or on such other dates as the Vendor and the Purchaser may from time to time mutually agree in writing;
- (ii) in the event that the Target HK Subsidiary records net loss or nil profit in its audited financial statements for the Guaranteed Period, the Vendor shall compensate the Purchaser the sum of HK\$18,252,000, being an amount equivalent to thirteen (13) times the Guaranteed Profit times 23.4%, in cash within five (5) Business Days upon the Purchaser serving a written notice to the Vendor or on such other dates as the Vendor and the Purchaser may from time to time mutually agree in writing; and
- (iii) in the event that the Guaranteed Profit for the Guaranteed Period has been satisfied, no compensation shall be recovered from the Purchaser by the Vendor nor from the Vendor by the Purchaser.

The Vendor undertakes to and covenants, and shall procure its nominee (if any) to undertake and covenant, with the Purchaser that unless with prior written consent of the Purchaser, it will not, within the Restrictive Period, transfer or otherwise dispose of any of the Consideration Shares or transfer any shares in any company controlled by it which is for the time being the beneficial owner of any of the Consideration Shares.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company established in the BVI with limited liability. As advised by the Vendor, it was formed solely for the purpose of holding the Target HK Subsidiary in June 2021 and it directly holds the entire equity interests in the Target HK Subsidiary as at the date of this announcement. As confirmed by the Vendor, the Target Company had limited business activities since its establishment.

The Target HK Subsidiary, being the operating subsidiary of the Target Company, is a company established in Hong Kong with limited liability, which is an interior design and fit out service provider in Hong Kong. The design works are performed by its in-house designers while fit out works are outsourced to subcontractors who are managed and supervised by its responsible project management team.

Set out below is a summary of the audited financial results of the Target HK Subsidiary for the years ended 30 June 2019 and 2020:

	For the year ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	50,849	68,976
Gross profit	10,215	13,626
Loss for the year before taxation	(1,597)	(2,519)
Loss for the year	(1,617)	(2,452)

Based on the audited account of the Target HK Subsidiary, the net asset value of the Target HK Subsidiary was approximately HK\$8.9 million as at 30 June 2020.

Following Completion, the Target Company will be held as to 23.4% and 76.6% by the Purchaser and the Vendor respectively. Accordingly, the Target Company will be an associated company of the Company, and the results of the Target Company will be accounted for using the equity method.

If the Option is fully exercised and, assuming that there are no changes in the shareholding of the Target Company, the Purchaser would hold 30% equity interest in the Target Company, the Target Company would continue to be an associated company of the Company, and the results of the Target Company would continue to be accounted for using the equity method.

INFORMATION ON THE VENDOR

The Vendor is an investment holding company incorporated in the BVI with limited liability and is the sole shareholder of the Target Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

INFORMATION OF THE PURCHASER, THE COMPANY AND THE GROUP

The Purchaser is an investment holding company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Company. The Company is incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on GEM of the Stock Exchange (stock code: 8619).

The Group is a construction engineering consultant focusing on the area of comprehensive structural and geotechnical engineering which is mainly provided in Hong Kong. The Group's consultancy services mainly cover: (i) structural engineering; (ii) geotechnical engineering; (iii) certain civil engineering practice areas; and (iv) material engineering.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target HK Subsidiary is a company established in Hong Kong with limited liability, which is an interior design and fitting-out service provider in Hong Kong. The design works are performed by its in-house designers while fitting-out works are outsourced to subcontractors who are managed and supervised by its responsible project management team.

The Directors consider that the Acquisition presents an opportunity to expand and diversify the Group's services and capabilities and will create synergies with the existing business of the Group. The Directors are of the view that there may also be potential cross-selling opportunities among the customers of the Group and the Target Group, which may be beneficial to both the Group and the Target Group in the future.

The terms of the Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The following table illustrates the shareholding structure of the Target Company (i) as at the date of this announcement; and (ii) immediately following the Completion:

Name of shareholders	As at the date of this announcement	Immediately after Completion
Vendor	100%	76.6%
The Purchaser	—	23.4%
Total	<u>100%</u>	<u>100%</u>

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion and the allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately after Completion	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Manning Properties Limited	394,072,000	41.05%	394,072,000	34.21%
Vendor (or its nominee(s))	—	—	192,000,000	16.67%
Other public Shareholders	<u>565,928,000</u>	<u>58.95%</u>	<u>565,928,000</u>	<u>49.12%</u>
Total	<u>960,000,000</u>	<u>100%</u>	<u>1,152,000,000</u>	<u>100%</u>

Note: Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan Yin Nin (“**Dr. Chan**”) and approximately 31.8% by Mr. Kwong Po Lam (“**Mr. Kwong**”), which in turn holds approximately 41.05% of the total share capital of the Company. As the concerted group, Dr. Chan and Mr. Kwong restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 394,072,000 Shares held by Manning Properties Limited.

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares on the date of passing such resolution on 3 August 2020 (i.e. up to 192,000,000 Shares). Up to the date of this announcement, no Share has been allotted or issued pursuant to the General Mandate. Accordingly, the issue of the Consideration Shares is not subject to any further approval of the Shareholders.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank *pari passu* among themselves and with all Shares in issue on the Completion Date.

IMPLICATION UNDER THE GEM LISTING RULES

As certain of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in relation to the Acquisition exceed 5% but are less than 25%, the Acquisition shall constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares, representing 23.4% of the issued share capital of the Target Company, by the Purchaser from the Vendor pursuant to the Agreement;
“Additional Acquisition”	the additional acquisition by the Purchaser from the Vendor of equity interest of up to 6.6% in the Target Company, being 660 shares, pursuant to the Purchaser’s exercise of the Option under the Agreement;
“Agreement”	the conditional sale and purchase agreement dated 9 July 2021 and entered into by the Purchaser, the Company and the Vendor in respect of the Acquisition;
“Board”	the board of Directors;
“Business Day(s)”	means a day on which licensed banks in Hong Kong are generally open for business (other than a Saturday or Sunday or public holiday in Hong Kong);

“BVI”	the British Virgin Islands;
“Company”	WAC Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on GEM (Stock code: 8619);
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement;
“Completion Date”	the business day agreed by the parties to perform Completion which shall be within five (5) Business Days immediately following the satisfaction (unless otherwise waived) of all the conditions precedent (or such other date to be agreed between the parties);
“connected person(s)”	shall have the meaning ascribed to it in the GEM Listing Rules;
“Consideration”	HK\$18,252,000 being the total consideration for the Acquisition;
“Consideration Share(s)”	the 192,000,000 new Share(s) to be issued and allotted by the Company at the issue price of approximately HK\$0.095 to the Vendor as the Consideration for the Sale Shares;
“Director(s)”	director(s) of the Company;
“GEM”	the GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 3 August 2020 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting;
“Group”	the Company and its subsidiaries;
“Guaranteed Period”	The 12-month period commencing on 1 January 2021 and ending on 31 December 2021 both days inclusive;

“Guaranteed Profit” or “Profit Guarantee”	The irrevocable guarantee provided by the Vendor to the Purchaser that the audited net profit after tax of the Target Company for the Guaranteed Period shall not be less than HK\$6,000,000 for the period commencing on 1 January 2021 and ending on 31 December 2021 (both days inclusive);
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	a party independent of and not connected with the Company or its connected persons (as defined in the GEM Listing Rules);
“Long Stop Date”	31 December 2021 or such other date as the parties under the Agreement may agree in writing;
“Option”	the right granted by the Vendor to the Purchaser to make the Additional Acquisition to acquire up to an additional 6.6% equity interest in the Target Company, pursuant to the Agreement;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan;
“Purchaser”	WAC (Hong Kong) Limited, a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Company;
“Restrictive Period”	the period commencing from the Completion Date up to and including the day on which (i) the audited financial statements of the Target Company for the Guaranteed Period is provided in the event that the Profit Guarantee is achieved; or (ii) the cash compensation payable by the Vendor to the Purchaser has been made in accordance with the Agreement in the event that the Profit Guarantee is not achieved;
“Sale Shares”	23.4% of the issued share capital being 2,340 shares of the Target Company in respect of the Acquisition;
“Share(s)”	ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	OPS Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor as at the date of this announcement;
“Target Group”	The Target Company and the Target HK Subsidiary;
“Target HK Subsidiary”	OPS Interior Design Consultant Limited (奧思室內設計顧問有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company as at the date of this announcement;
“Vendor”	Alpha Generator Limited, a company incorporated in the BVI with limited liability and the sole shareholder of the Target Company as at the date of this announcement; and
“%”	per cent.

By order of the Board
WAC HOLDINGS LIMITED
Dr. Chan Yin Nin
Chairman

Hong Kong, 9 July 2021

As at the date of this announcement, the Board comprises Dr. Chan Yin Nin and Mr. Kwong Po Lam as executive Directors; and Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran as independent non-executive Directors.

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 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.

This announcement will remain on the GEM website of the Stock Exchange at www.hkgem.com and the “Latest Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.wcce.hk.