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WAC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8619)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION

Reference is made to the announcement (the “**Announcement**”) of WAC Holdings Limited (the “**Company**”) dated 9 July 2021 in relation to the acquisition of 23.4% equity interest in the Target Company involving issue of Consideration Shares under General Mandate and the Option to acquire up to an additional 6.6% equity interest in the Target Company. Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with additional information relating to the Acquisition as follows:

ULTIMATE BENEFICIAL OWNERS OF THE VENDOR

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the ultimate beneficial owners of the Vendor are CHAN Yuk Ki Francis, YIP Sai Kit Dicky and SO Siu Lai, each holding approximately 30.7%, with the remaining 8% of the shares of the Vendor being held by Rich Merchant Limited which in turn is wholly-owned by TANG Ho Wai Howard.

As stated in the 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 the Announcement.

SUPPLEMENTAL INFORMATION ON DETERMINATION OF CONSIDERATION AND FEASIBILITY OF PROFIT GUARANTEE

It was disclosed in the Announcement that the Consideration and terms for the Acquisition were considered to be fair and reasonable in view of, among others, the discounted average price-to-earnings ratio of thirteen (13) times of the comparable companies of the Target HK Subsidiary. In determining the appropriate price-to-earnings ratio to apply, the Board considered the average price-to-earnings ratio of eight (8) comparable listed companies of

approximately seventeen (17) times and applied a liquidity discount in consideration of the fact that the Target HK Subsidiary was not a listed company, thus reducing the price-to-earnings ratio to thirteen (13) times.

With respect to the Vendor's capability to fulfil the Profit Guarantee, the Directors considered information of the Target HK Subsidiary including but not limited to the (i) management accounts of the Target HK Subsidiary for the five (5) months ended 31 May 2021 of the Guarantee Period depicting a profit before tax of approximately HK\$3 million; and (ii) the project backlog and potential pipeline of new projects, and were of the view that the Profit Guarantee was achievable.

As advised by the Vendor, the Target HK Subsidiary experienced losses in the years ended 30 June 2019 and 2020 due to (i) the intense price competition among market players resulting in fewer job orders from the customers and hence the decrease in gross profit; and (ii) the significant decrease in spending in fitting-out by the customers in commercial sector due to the social unrest and the outbreak of the COVID-19 pandemic in Hong Kong. As confirmed by the Vendor, the Target HK Subsidiary recorded audited net profit after taxation above the amount of Guaranteed Profit of HK\$6,000,000 for the years ended 30 June 2016, 2017 and 2018, which demonstrates the feasibility of the Target HK Subsidiary to fulfil the Profit Guarantee for the Guaranteed Period.

In the event that the Profit Guarantee is not achieved, the Purchaser shall rely on the Vendor's (or their nominee's) undertaking and covenant with the Purchaser that the Consideration Shares would not be transferred or otherwise disposed of without the prior written consent of the Purchaser during the Restrictive Period. The Restrictive Period will end only upon the earlier of the Profit Guarantee being achieved or the cash compensation payable by the Vendor to the Purchaser being paid.

The mechanism is a deliberate feature of the Agreement to ensure that the Consideration Shares, which represents the full value of the Consideration and, in turn, equivalent to the maximum compensation amount under the Profit Guarantee, remains with the Vendor and the Group shall be able to ensure the fulfilment accordingly by certain means, including the taking of legal action to liquidate the Consideration Shares in order to satisfy the compensation under the Profit Guarantee owed to the Purchaser in the case of need.

The Directors also note that the Vendor will continue to hold 76.6% of the Target Company which in turn is the sole shareholder of the Target HK Subsidiary, which is a readily identifiable asset of substantial value of the Vendor. This shall serve as additional comfort for the Vendor to honour their obligations under the Profit Guarantee provisions.

Having considered the above, the Directors consider that the Consideration for the Acquisition is fair and reasonable and in the interests of the Company and the shareholders as a whole.

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

Hong Kong, 16 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.