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China Alliance Venture Limited **China Wacan Group**
中國創投聯合會有限公司 **Company Limited**
(Incorporated in Hong Kong with limited liability) *(Incorporated in the Cayman Islands with limited liability)*
中國網成集團有限公司
(Stock code: 1920)

JOINT ANNOUNCEMENT

- (1) AGREEMENT IN RELATION TO THE SALE AND PURCHASE OF 62.5% OF THE ISSUED SHARES IN CHINA WACAN GROUP COMPANY LIMITED;**
(2) MANDATORY UNCONDITIONAL CASH OFFER BY YELLOW RIVER SECURITIES LIMITED FOR AND ON BEHALF OF CHINA ALLIANCE VENTURE LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF CHINA WACAN GROUP COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA ALLIANCE VENTURE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT);
AND
(3) RESUMPTION OF TRADING

Financial adviser to the Offeror

Offer agent to the Offeror



黃河證券有限公司
Yellow River Securities Limited

THE SALE AND PURCHASE AGREEMENT

The Board was informed that on 15 January 2025 (after trading hours), the Vendor, the Guarantor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the date of this joint announcement, for a total cash consideration of HK\$50,000,000 (representing approximately HK\$0.2564 per Sale Share), which was settled in full by the Offeror by drawing down the Sale Shares Facility granted to it by Ultra Accord.

Completion took place immediately upon signing of the Sale and Purchase Agreement. Immediately upon Completion, the Offeror and parties acting in concert with it own 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company and the Vendor ceased to be a Shareholder.

MANDATORY UNCONDITIONAL CASH OFFER

Immediately prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Share or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it own 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer will be made to the Independent Shareholders.

Yellow River will, for and on behalf of the Offeror, make the Offer to acquire all of the Offer Shares on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

Offer Price for each Offer Share. HK\$0.2565 in cash

The Offer Price of HK\$0.2565 per Offer Share is approximately equal to but not lower than the purchase price per Sale Share of approximately HK\$0.2564 per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the date of this joint announcement, the Company has 312,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

Assuming that there is no change in the issued share capital of the Company and based on the Offer Price of HK\$0.2565 per Offer Share, the total issued share capital of the Company is valued at HK\$80,028,000. As the Offeror and parties acting in concert with it hold 195,000,000 Shares immediately following Completion, 117,000,000 Shares will be subject to the Offer. Based on the Offer Price of HK\$0.2565 per Offer Share, the consideration of the Offer would be HK\$30,010,500 in the event that the Offer is accepted in full. The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer.

Principal terms of the Offer are set out in the section headed “Mandatory Unconditional Cash Offer” in this joint announcement.

Astrum Capital, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document setting out, among others, (i) further details of the Offer; (ii) the recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer; and (iv) the relevant form(s) of acceptance and transfer, will be despatched to the Shareholders no later than 21 days after the date of this joint announcement or such later date as the Executive may approve. Further announcement(s) will be made when the Composite Document is despatched.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke, has been established to advise the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

The Independent Financial Adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer. Further announcement(s) will be made by the Company upon the appointment of the Independent Financial Adviser. The advice of the Independent Financial Adviser and the recommendations of the Independent Board Committee will be included in the Composite Document to be despatched to the Shareholders.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 16 January 2025 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 January 2025.

WARNING

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors of the Company are in any doubt about their position, they should consult their professional advisers.

The Board was informed that on 15 January 2025 (after trading hours), the Vendor, the Guarantor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the date of this joint announcement, for a total cash consideration of HK\$50,000,000 (representing approximately HK\$0.2564 per Sale Share), which was satisfied in full by the Offeror by drawing down the Sale Shares Facility. Details of the Sale and Purchase Agreement are set out in the section headed “The Sale and Purchase Agreement” below in this joint announcement.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date

15 January 2025 (after trading hours)

Parties

- (i) Vendor: Wonderful Renown Limited
- (ii) Offeror: China Alliance Venture Limited
- (iii) Guarantor: Mr. Cheung Kwok Fai Adam

Immediately following Completion, the Offeror has become a controlling shareholder of the Company, holding 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the date of this joint announcement. The Offeror is wholly and beneficially owned by Mr. Zhou, who is the sole director of the Offeror, the chairman of the Board and an executive Director.

Subject of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the date of this joint announcement, for a total cash Consideration of HK\$50,000,000 (representing approximately HK\$0.2564 per Sale Share).

The Sale Shares were sold free from all encumbrances and together with all rights attached or accruing thereto, including but not limited to all dividends, distributions and payments declared, paid or made in respect thereof at any time on or after the Completion Date.

Consideration for the Sale Shares

The Consideration for the sale and purchase of the Sale Shares is HK\$50,000,000, representing approximately HK\$0.2564 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations, taking into account (i) deteriorating operating performance of the Group, evidenced by the decrease in total revenue of the Group from approximately HK\$122.5 million for the year ended 31 December 2022 (“FY2022”) to approximately HK\$86.7 million for the year ended 31 December 2023 (“FY2023”) and further to approximately HK\$38.4 million for the six months ended 30 June 2024 (“1H2024”); (ii) loss and total comprehensive expense recorded by the Company of approximately HK\$56.2 million, approximately HK\$51.6 million and approximately HK\$25.5 million for FY2022, FY2023 and 1H2024, respectively; (iii) the premium to the Group's consolidated net assets value attributable to the Shareholders per Share as at 31 December 2023 and 30 June 2024, respectively, details of which are set forth in the paragraph headed “Mandatory unconditional cash offer – Offer Price” in this joint announcement; and (iv) the Company's average daily trading volume for the 30 consecutive trading days immediately prior to and including the Last Trading Day represented merely approximately 0.2% of the total issued share capital of the Company, which suggests a relatively limited market liquidity for the Shares.

The Consideration has been settled in full by the Offeror by drawing down the Sale Shares Facility on the Completion Date. The Sale Shares Facility is secured by (i) the Sale Shares Facility Share Charge; (ii) the Sale Shares Facility Personal Guarantee; (iii) a subordination agreement executed by the Offeror and Mr. Zhou which primarily provides that the Offeror is obliged to first repay all outstanding amount due to Ultra Accord as lender under the Sale Shares Facility before any repayment of loans due from the Offeror to its sole shareholder, namely, Mr. Zhou, from time to time (if any); and (iv) a custodian agreement executed by the Offeror, Ultra Accord and Yellow River, pursuant to which the parties agreed that Yellow River shall be appointed as the custodian to hold the Sale Shares, which were deposited into a designated account in the Offeror's name, in favour of Ultra Accord as security for the due performance of the repayment by the Offeror under the Sale Shares Facility.

Ultra Accord is a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) and is wholly and beneficially owned by Ms. Chu Chui Ling, who is a Hong Kong citizen and an investor with investments mainly in listed securities and properties in Hong Kong and with experience in the money lending sector in Hong Kong. Ultra Accord and Ms. Chu Chui Ling are parties acting in concert with the Offeror and Mr. Zhou under class (9) of the definition of acting in concert under the Takeovers Code.

Save as aforesaid, the Offeror confirms that the Offeror and Mr. Zhou have no other relationship with Ultra Accord or Ms. Chu Chui Ling. Ultra Accord and Ms. Chu Chui Ling are not Shareholders as at the date of this joint announcement.

Guarantee

Pursuant to the Sale and Purchase Agreement, Mr. Cheung Kwok Fai Adam, as the Guarantor, unconditionally and irrevocably:

- (a) guaranteed to the Offeror the due and punctual performance and observance by the Vendor of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Sale and Purchase Agreement; and
- (b) agreed to indemnify the Offeror against all losses, damages, costs and expenses (including legal costs and expenses) which the Offeror may reasonably incur or suffer through or arising from any breach by the Vendor of such obligations, commitments, warranties, undertakings, indemnities or covenants.

The liability of the Guarantor as aforesaid shall not be released or diminished by any arrangements or alterations of terms (whether of the Sale and Purchase Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations thereby imposed or any granting of time for such performance.

Completion

Completion took place immediately upon signing of the Sale and Purchase Agreement on the Completion Date, being 15 January 2025. Immediately following Completion and as at the date of this joint announcement, the Offeror and parties acting in concert with it own 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company.

MANDATORY UNCONDITIONAL CASH OFFER

The Offer

Immediately prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Share or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it own 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer will be made to the Independent Shareholders.

Yellow River will, for and on behalf of the Offeror, make the Offer to acquire all of the Offer Shares on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

Offer Price for each Offer Share. HK\$0.2565 in cash

The Offer Price of HK\$0.2565 per Offer Share is approximately equal to but not lower than the purchase price per Sale Share of approximately HK\$0.2564 per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the date of this joint announcement, the Company has 312,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

Assuming that there is no change in the issued share capital of the Company and based on the Offer Price of HK\$0.2565 per Offer Share, the total issued share capital of the Company is valued at HK\$80,028,000. As the Offeror and parties acting in concert with it hold 195,000,000 Shares immediately following Completion, 117,000,000 Shares will be subject to the Offer. Based on the Offer Price of HK\$0.2565 per Offer Share, the consideration of the Offer would be HK\$30,010,500 in the event that the Offer is accepted in full. The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document.

The Company confirms that as at the date of this joint announcement, (i) it has not declared any dividend which is not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Offer. If, after the date of this joint announcement, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror reserves the right to reduce the Offer Price by an amount equal to the gross amount of such dividend or other distribution. The Offer will be unconditional in all aspects when it is made.

Offer Price

The Offer Price of HK\$0.2565 per Offer Share is approximately equal to but not lower than the purchase price per Sale Share of approximately HK\$0.2564 per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer Price of HK\$0.2565 per Offer Share represents:

- a discount of approximately 70.85% to the closing price of HK\$0.8800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 70.72% to the average closing price of approximately HK\$0.8760 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 70.85% to the average closing price of approximately HK\$0.8800 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;

- a discount of approximately 70.51% to the average closing price of approximately HK\$0.8697 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 50.53% to the Group’s audited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$0.1704 as at 31 December 2023 (based on a total of 312,000,000 Shares as at the date of this joint announcement and the Group’s audited consolidated net assets value attributable to the Shareholders of approximately HK\$53.2 million as at 31 December 2023); and
- a premium of approximately 188.85% to the Group’s unaudited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$0.0888 as at 30 June 2024 (based on a total of 312,000,000 Shares as at the date of this joint announcement and the Group’s unaudited consolidated net assets value attributable to the Shareholders of approximately HK\$27.7 million as at 30 June 2024).

The Consideration for the sale and purchase of the Sale Shares is HK\$50,000,000, representing approximately HK\$0.2564 per Sale Share, which was agreed between the Offeror and the Vendor after arm’s length negotiations, taking into account (i) deteriorating operating performance of the Group, evidenced by the decrease in total revenue of the Group from approximately HK\$122.5 million for FY2022 to approximately HK\$86.7 million for FY2023 and further to approximately HK\$38.4 million for 1H2024; (ii) loss and total comprehensive expense recorded by the Company of approximately HK\$56.2 million, approximately HK\$51.6 million and approximately HK\$25.5 million for FY2022, FY2023 and 1H2024, respectively; (iii) the premium to the Group’s consolidated net assets value attributable to the Shareholders per Share as at 31 December 2023 and 30 June 2024, respectively, as illustrated above; and (iv) an the Company’s average daily trading volume for the 30 consecutive trading days immediately prior to and including the Last Trading Day represented merely approximately 0.2% of the total issued share capital of the Company, which suggests a relatively limited market liquidity for the Shares.

Highest and lowest Share prices

During the six-month period immediately preceding the commencement of the Offer Period and up to the Last Trading Day: (a) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.20 per Share on 17 September 2024; and (b) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.28 per Share on 13 August 2024 and 14 August 2024.

Confirmation of financial resources

The maximum amount of cash payable by the Offeror in respect of full acceptances of the Offer is HK\$30,010,500, assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offer. The Offeror intends to finance the consideration payable under the Offer by the Offer Facility of up to HK\$30.0 million granted to it by Ultra Accord and its own internal resources. The Offer Facility is secured by (i) the Offer Facility Share Charge; (ii) the Offer Facility Personal Guarantee; (iii) a subordination agreement executed by the Offeror and Mr. Zhou which primarily provides that the Offeror is obliged to first repay all outstanding amount due to Ultra Accord as lender under the Offer Facility before any repayment of loans due from the Offeror to its sole shareholder, namely, Mr. Zhou, from time to time (if any); and (iv) a custodian agreement executed by the Offeror, Ultra Accord and Yellow River, pursuant to which the parties agreed that Yellow River shall be appointed as the custodian to hold the Offer Shares to be acquired by the Offeror under the Offer, which shall be deposited into a designated account in the Offeror's name, in favour of Ultra Accord as security for the due performance of the repayment by the Offeror under the Offer Facility.

Astrum Capital, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

Effect of accepting the Offer

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are fully paid and free from all encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event no later than seven (7) business days (as defined in the Takeovers Code) after the date of receipt of a duly completed acceptance of the Offer. Relevant documents evidencing title of the Offer Shares must be received by or on behalf of the Offeror to render such acceptance of the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Hong Kong stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

If the receipt of the Composite Document by the Overseas Shareholders is prohibited by any applicable laws and regulations and may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Shareholders and this will not affect the Overseas Shareholders' right to accept the Offer. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Composite Document to such Overseas Shareholder(s). In granting the waiver, the Executive will be concerned to see that all material information in the Composite Document is made available to such Overseas Shareholder(s). If any such waiver is granted by the Executive, the Offeror reserves the right to make arrangements in respect of such Overseas Shareholder(s) in relation to the terms of the Offer.

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Based on the register of members of the Company, there is no Overseas Shareholder as at the date of this joint announcement.

Taxation advice

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Astrum Capital, Yellow River and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

DEALING AND INTERESTS IN SECURITIES OF THE COMPANY

The Offeror confirms that as at the date of this joint announcement:

- (a) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) save for entering into the Sale and Purchase Agreement, none of the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the six (6) months prior to 23 January 2025, being the date of this joint announcement and up to and including the date of this joint announcement, i.e. the commencement date of the Offer Period;
- (c) save for the Sale and Purchase Agreement, the Offer Facility, the Offer Facility Share Charge, the Sale Shares Facility and the Sale Shares Facility Share Charge, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (d) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner or any person acting in concert with any of them, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a precondition or a condition to the Offer;
- (e) neither the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

- (f) neither the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them has received any irrevocable commitment to accept the Offer;
- (g) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner or any person acting in concert with any of them;
- (h) save for the Consideration for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror, its ultimate beneficial owner or any parties acting in concert with any of them to the Vendor, its ultimate beneficial owners or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;
- (i) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor, the Guarantor and any parties acting in concert with any of them on one hand, and the Offeror, its ultimate beneficial owner or any party acting in concert with any of them on the other hand; and
- (j) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder on one hand; and (ii)(a) the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them, or (ii)(b) the Company, its subsidiaries or associated companies on the other hand.

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since 16 August 2019. The Group is principally engaged in (i) the provision of wet trades works and wet trades related ancillary works; and (ii) the provision of construction information technology services in Hong Kong. As disclosed in the announcement of the Company dated 30 December 2024, the Group intended to commence a new beauty business in addition to its existing business, to provide high quality beauty services, nutritional healthcare products and health services (the “**Beauty & Healthcare Business**”).

With respect to the Beauty & Healthcare Business, the Group plans to set up joint ventures and physical stores with local partners in first-and second-tier cities in the PRC, and provide product sales, lifestyle beauty services, medical beauty consulting services, health management consulting services, comprehensive shopping services, as well as overall operation management and business guidance services to each of such joint venture companies and physical stores.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this joint announcement, the authorised share capital of the Company is HK\$40,000,000 divided into 400,000,000 ordinary shares, and there are 312,000,000 Shares in issue. The Company does not have any outstanding options, warrants or derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the date of this joint announcement are set forth as follows:

| | Immediately prior to Completion | | Immediately upon Completion and as at the date of this joint announcement | |
|--|------------------------------------|--------------|---|--------------|
| | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| Vendor | 195,000,000 | 62.5 | – | – |
| Offeror and parties acting in concert with it | – | – | 195,000,000 | 62.5 |
| Independent Shareholders | <u>117,000,000</u> | <u>37.5</u> | <u>117,000,000</u> | <u>37.5</u> |
| Total | <u>312,000,000</u> | <u>100.0</u> | <u>312,000,000</u> | <u>100.0</u> |

Notes:

1. The Vendor is legally and beneficially owned as to 84% by Mr. Cheung Kwok Fai Adam, an executive Director and 16% by Ms. Cheung Lai Chun, sister of Mr. Cheung Kwok Fai Adam. By virtue of the SFO, Mr. Cheung Kwok Fai Adam is deemed to be interested in all the Shares held by the Vendor.
2. The Offeror is beneficially wholly-owned by Mr. Zhou, the chairman of the Board and an executive Director.

Save as disclosed above, no Director owned or will own any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company immediately prior to and following Completion.

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 31 December 2022 and 2023 as extracted from the annual reports of the Company for the financial years ended 31 December 2022 and 2023, and the unaudited consolidated financial results of the Group for the six months ended 30 June 2024 as extracted from the interim report of the Company for the six months ended 30 June 2024:

| | For the year ended or as at 31 December | | For the six months ended or as at |
|---|--|-----------------|--|
| | 2022 | 2023 | 30 June 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (audited) | (audited) | (unaudited) |
| Total revenue | 122,517 | 86,702 | 38,368 |
| Loss before tax | (56,310) | (51,618) | (25,467) |
| Loss and total comprehensive expense for the year/period | (56,203) | (51,618) | (25,467) |
| Net assets | 104,786 | 53,168 | 27,701 |

INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on 9 January 2025 and is principally engaged in investment holding. As at the date of this joint announcement, save for entering into of the Sale and Purchase Agreement, the Offeror did not engage in any other business activities.

As at the date of this joint announcement, the Offeror is beneficially wholly-owned by Mr. Zhou, the chairman of the Board and an executive Director.

Mr. Zhou, aged 44, was appointed as an executive Director on 6 September 2024 and the chairman of the Board on 30 October 2024. Mr. Zhou is primarily responsible for the future potential business development of the Group in the PRC. Mr. Zhou is the sole shareholder and sole director of the Offeror. From April 2004 to December 2011, Mr. Zhou served as a deputy general manager of Shenzhen Jiameiran Technology Company Limited* (深圳市嘉美然科技有限公司), a company principally engaged in the sales of skincare products and beauty instruments and he was responsible for the company's sales and marketing management. From January 2012 to August 2017, Mr. Zhou served as a president of Shenzhen Runfei Technology Company Limited* (深圳潤妃科技有限公司), which is also principally engaged in the sales of skincare products and beauty instruments. Since September 2017 until present, Mr. Zhou has been appointed as the chairman of Tofuls International Holdings Group Co., Ltd.* (同芙國際控股集團有限公司), which is principally engaged in health and wellness management consultation. Since June 2023 until present, Mr. Zhou has been appointed as the chairman of World Chinese Business (Guangdong) Technology Co., Ltd.* (世界華商(廣東)科技有限公司), which is principally engaged in providing digital technology services. Since November 2023 until present, Mr. Zhou has been appointed as the chairman of Shihua International Club Company Limited* (世華國際俱樂部有限公司), which is principally engaged in providing information consulting services in the areas of health and leisure activities.

Mr. Zhou completed the business administration course of Business School of Guangxi University (廣西大學商學院) (currently known as the School of Business, Guangxi University (廣西大學工商管理學院)) in July 2003.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Immediately following Completion, the Offeror and parties acting in concert with it have become the controlling shareholders of the Company, holding 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the date of this joint announcement.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed nomination of new director(s) to the Board at a time no earlier than that as permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Offeror also intends to continue the existing principal business of the Group and commence the Beauty & Healthcare Business following Completion. However, the Offeror also intends to review the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of such review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong.

Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the employees of the Group (except for a proposed nomination of new director(s) to the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (iii) as at the date of this joint announcement, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

The Offeror intends to nominate new director(s) to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the date of this joint announcement, the Offeror has not identified any potential candidate to be appointed as a new director to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

Therefore, it should be noted that, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Directors and any new Director(s) to be proposed by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that such number of Shares as may be required by the Stock Exchange are held by the public within the prescribed time frame.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke, has been established to advise the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

The Independent Financial Adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer. Further announcement(s) will be made by the Company upon the appointment of the Independent Financial Adviser. The advice of the Independent Financial Adviser and the recommendations of the Independent Board Committee will be included in the Composite Document to be despatched to the Shareholders.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree's board circular in the Composite Document.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document setting out, among others, (i) further details of the Offer; (ii) the recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer; and (iv) the relevant form(s) of acceptance and transfer, will be despatched to the Shareholders no later than 21 days after the date of this joint announcement or such later date as the Executive may approve. Further announcement(s) will be made when the Composite Document is despatched.

The Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Offeror (including persons holding 5% or more of a class of relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

TRADING SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 16 January 2025 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 January 2025.

WARNING

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors of the Company are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

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| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “associate(s)” | has the meaning ascribed to it under the Takeovers Code |
| “Astrum Capital” | Astrum Capital Management Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in respect of the Offer |
| “Board” | the board of Directors |
| “BVI” | the British Virgin Islands |
| “Company” | China Wacan Group Company Limited (中國網成集團有限公司) (formerly known as Hands Form Holdings Limited (恆新豐控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 1920) |
| “Completion” | completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement |
| “Completion Date” | the date on which Completion took place, being 15 January 2025 |
| “Composite Document” | the composite offer and response document to be jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the forms of acceptance and transfer) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser of the Company |

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| “Consideration” | the amount of HK\$50,000,000, being the consideration paid by the Offeror to the Vendor for the acquisition of the Sale Shares |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any of his delegates |
| “Group” | the Company together with its subsidiaries |
| “Guarantor” | Mr. Cheung Kwok Fai Adam, an executive Director, who owns 84% of the issued share capital of the Vendor |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, has been established for the purpose of advising the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer |
| “Independent Financial Adviser” | the independent financial adviser to be appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer |
| “Independent Shareholder(s)” | holder(s) of Share(s), other than the Offeror and parties acting in concert with it |
| “Last Trading Day” | 15 January 2025, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of this joint announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Main Board” | the main board maintained and operated by the Stock Exchange |
| “Mr. Zhou” | Mr. Zhou Zhenlin, the chairman of the Board, an executive Director and the sole shareholder and sole director of the Offeror |
| “Offer” | the mandatory unconditional cash offer to be made by Yellow River, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code |
| “Offer Facility” | a loan facility of up to HK\$30.0 million made available by Ultra Accord to the Offeror for financing the consideration payable under the Offer |
| “Offer Facility Personal Guarantee” | the personal guarantee provided by Mr. Zhou in favour of Ultra Accord under a deed of personal guarantee which guarantees the Offeror’s payment obligations under the Offer Facility |
| “Offer Facility Share Charge” | the share charge provided by the Offeror in favour of Ultra Accord over the Offer Shares to be acquired by the Offeror under the Offer |
| “Offeror” | China Alliance Venture Limited (中國創投聯合會有限公司), a company incorporated in Hong Kong with limited liability and beneficially wholly-owned by Mr. Zhou, being the purchaser under the Sale and Purchase Agreement |
| “Offer Period” | has the meaning ascribed to it under the Takeovers Code which commences on 23 January 2025 (being the date of this joint announcement) and ends on the date on which the Offer closes or lapses |
| “Offer Price” | the cash amount of HK\$0.2565 payable by the Offeror for each Offer Share |
| “Offer Share(s)” | any of the 117,000,000 Shares that are subject to the Offer |

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| “Overseas Shareholder(s)” | Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is/are outside Hong Kong |
| “PRC” | the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 15 January 2025 entered into among the Vendor, the Guarantor and the Offeror in relation to the sale and purchase of the Sale Shares |
| “Sale Share(s)” | the 195,000,000 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement, representing 62.5% of the total issued share capital of the Company as at the date of this joint announcement |
| “Sale Shares Facility” | a loan facility of up to HK\$50.0 million made available by Ultra Accord to the Offeror for financing the Consideration |
| “Sale Shares Facility Personal Guarantee” | the personal guarantee provided by Mr. Zhou in favour of Ultra Accord under a deed of personal guarantee which guarantees the Offeror’s payment obligations under the Sale Shares Facility |
| “Sale Shares Facility Share Charge” | the share charge provided by the Offeror in favour of Ultra Accord over the Sale Shares acquired by the Offeror from the Vendor |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.1 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Ultra Accord” | Ultra Accord Limited, a company incorporated in Hong Kong with limited liability and a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) |
| “Vendor” | Wonderful Renown Limited, a company incorporated in the BVI with liability limited, which is legally and beneficially owned as to 84% by the Guarantor and 16% by Ms. Cheung Lai Chun, sister of the Guarantor |
| “Yellow River” | Yellow River Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, the agent making the Offer on behalf of the Offeror |
| “%” | per cent. |

* For identification purpose only

By order of the board of director of
China Alliance Venture Limited
Zhou Zhenlin
Sole director

By order of the Board of
China Wacan Group Company Limited
Ng Sheung Chung
Executive Director

Hong Kong, 23 January 2025

As at the date of this joint announcement, Mr. Zhou Zhenlin is the sole director of the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Vendor, the Guarantor and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than that expressed by the Guarantor and the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.

As at the date of this joint announcement, the Board comprises Mr. Zhou Zhenlin, Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung and Mr. Ma Kan Sun as executive Directors and Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the sole director of the Offeror in his capacity as the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.