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MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE TARGET COMPANY

The Board is pleased to announce that after trading hours on 9 March 2022, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Loan (representing all sums and liabilities owing by the Target Company to the Vendor) in two tranches. The Consideration for the Acquisition would not exceed HK\$33.4 million.

Upon Tranche 1 Completion, the Purchaser will hold 51% of the issued share capital of the Target Company and the Target Company will become an indirect non-wholly-owned subsidiary of the Company and its results will be consolidated into the consolidated financial statements of the Group.

Upon Tranche 2 Completion, the Purchaser will hold the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company.

* *For identification purposes only*

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the 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 the Conditions Precedent, and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in shares of the Company.

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THE SALE AND PURCHASE AGREEMENT

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

Date

9 March 2022

Parties

- (1) the Purchaser as purchaser; and
- (2) the Vendor as vendor.

Subject Matter

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Loan (representing all sums and liabilities owing by the Target Company to the Vendor) in two tranches.

As one of the Conditions Precedent, the Vendor and its affiliates will sell and transfer to the Target Company certain assets, which include the display items, fixtures and fitting, finishes, office equipment and computers in the Wanchai Premises. The aforesaid assets are estimated to be of a value of approximately HK\$5.4 million.

Consideration and payment terms

The Purchaser shall pay the Consideration to the Vendor in the following manner:

- (i) the Deposit in the sum of HK\$1 million upon signing of the Sale and Purchase Agreement;
- (ii) the Tranche 1 Consideration less the Deposit upon Tranche 1 Completion;
- (iii) the Tranche 2 Consideration upon Tranche 2 Completion.

The Consideration will be satisfied by cash from the Group's internal resources, external financing or such other means as the Company considers appropriate.

Tranche 1 Consideration

The Tranche 1 Consideration payable for the sale and purchase of the Tranche 1 Sale Shares (representing 51% of the issued share capital of the Target Company) and the assignment of the Tranche 1 Sale Loan (representing 51% of the Sale Loan as at the Tranche 1 Completion Date) shall be the sum equivalent to 51% of the net asset value (excluding (i) the Target Company's liability for the shareholder's loan owing by the Target Company to the Vendor; and (ii) the assignment of the Tranche 1 Sale Loan from the Vendor to the Purchaser) of the Target Company as at Tranche 1 Completion Date as shown on the Audited Completion Accounts. The Tranche 1 Consideration shall not exceed HK\$4 million in any circumstances.

Tranche 2 Consideration

Subject to the adjustments and the terms under the sub-sections headed “Tranche 2 Consideration adjustments” and “Compulsory Sale” below, the Tranche 2 Consideration payable for the sale and purchase of the Tranche 2 Sale Shares (representing 49% of the issued share capital of the Target Company) and the assignment of the Tranche 2 Sale Loan (representing the Sale Loan as at the Tranche 2 Completion Date) shall be calculated in accordance with the formula below:

$$\text{Tranche 2 Consideration} = \text{Average Net Profit After Tax} \times 6 \times 49\%$$

where:

“**Average Net Profit After Tax**” means one-third of the aggregate net profit (or loss) after tax of the Target Company for the three financial years ending 31 March 2025 based on its audited financial statements prepared by the Auditor and calculated and certified by the auditor nominated and appointed by the Purchaser for this purpose.

If the Average Net Profit After Tax is a negative figure, Tranche 2 Consideration shall be HK\$100.

In determination of the net profit (or loss) after tax of the Target Company:

- (i) all accounts receivables of the Target Company as at 31 March 2025 shall be deducted from the aggregate net profit (or loss) after tax of the Target Company for the three financial years ending 31 March 2025 as shown on its audited financial statements prepared by the Auditor;
- (ii) no consideration shall be taken into account for any monies or account receivables due to the Target Company received or to be received after 31 March 2026;
- (iii) necessary provision for taxation shall be made (deducted) from such profit earning;
- (iv) extraordinary items and extraordinary income shall be disregarded; and
- (v) an amount equivalent to the contingent claim and/or liability of the Target Company as at each financial year end date shall be deducted from the net profit (or loss) after tax of the Target Company.

Tranche 2 Consideration adjustments

The Tranche 2 Consideration is subject to the following adjustments:

- (i) if there is any cash actually received by the Target Company (and certified by the auditor nominated and appointed by the Purchaser for this purpose as so received) from 1 April 2025 to 30 September 2025 (both dates inclusive) for settlement of any of the account receivables of the Target Company as at 31 March 2025 (“**1st Received Cash**”), such cash shall be added to the net profit (or loss) after tax of the Target Company for the financial year ended 31 March 2025 and the Average Net Profit After Tax shall be adjusted accordingly (the “**1st Adjusted Average Net Profit After Tax**”). And if the Tranche 2 Consideration calculated from 1st Adjusted Average Net Profit After Tax is more than the original Tranche 2 Consideration paid by the Purchaser at Tranche 2 Completion, the Purchaser shall pay the difference (“**1st Additional Payment**”) to the Vendor on or before 30 November 2025;
- (ii) if there is any cash actually received by the Target Company (and certified by the auditor nominated and appointed by the Purchaser for this purpose as so received) from 1 October 2025 to 31 March 2026 (both dates inclusive) for settlement of any of the account receivables of the Target Company as at 31 March 2025, such cash shall be added to the net profit (or loss) after tax and the 1st Received Cash of the Target Company for the financial year ended 31 March 2025 and the Average Net Profit After Tax shall be adjusted accordingly (the “**2nd Adjusted Average Net Profit After Tax**”). And if the Tranche 2 Consideration calculated from the 2nd Adjusted Average Net Profit After Tax is more than the aggregate of (i) the original Tranche 2 Consideration paid by the Purchaser at Tranche 2 Completion; and (ii) the 1st Additional Payment, the Purchaser shall pay the difference to the Vendor on or before 31 May 2026.

Compulsory Sale

After the Tranche 1 Completion and before the Tranche 2 Completion has taken place, a shareholder of the Target Company (the “**Non-Defaulter**”) shall be entitled to give notice in writing (the “**Termination Notice**”) to another shareholder of the Target Company (the “**Defaulter**”) if any of the following events (the “**Termination Events**”, and each, a “**Termination Event**”) occur:

- (i) any of the following events occur:
- (a) death or mental incapacity of Mr. Woo within the meaning of Mental Health Ordinance (Cap. 136 of the laws of Hong Kong) and cannot be recovered within 3 months; or
 - (b) gross profit generated from the aggregated signed contracts and/or orders arising from the business of the Target Company (“**Signed Contracts GP**”) during the 6 months after Tranche 1 Completion, in the reasonable opinion of the board of directors of the Target Company, is insufficient to cover the forecast rentals, salary, office administrative expenses and all other outgoings (except financial cost) of the Target Company (the “**Operating Costs**”) for the 12 months from Tranche 1 Completion; or
 - (c) the Signed Contracts GP within 12 months from Tranche 1 Completion is less than HK\$3 million after deducting the Operating Costs for the 12 months from Tranche 1 Completion; or
 - (d) the Signed Contracts GP within 18 months from Tranche 1 Completion is less than HK\$6 million after deducting the Operating Costs for the 18 months from Tranche 1 Completion; or
 - (e) the Signed Contracts GP within 24 months from Tranche 1 Completion is less than HK\$10 million after deducting the Operating Costs for the 24 months from Tranche 1 Completion; or
 - (f) the Signed Contracts GP within 30 months from Tranche 1 Completion is less than HK\$15 million after deducting the Operating Costs for the 30 months from Tranche 1 Completion; or
 - (g) the Signed Contracts GP within 36 months from Tranche 1 Completion is less than HK\$18 million after deducting the Operating Costs for the 36 months from Tranche 1 Completion; or

- (ii) if a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration, reorganization, reconstruction, dissolution or bankruptcy of the Defaulter or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Defaulter or of all or any part of its business or assets; if the Defaulter stops or suspends payments to its creditors generally or is unable or admits its inability to pay its debts as they fall due or seeks to enter into any composition or other arrangement with its creditors or is declared or becomes bankrupt or insolvent; or if a creditor takes possession of all or any part of the business or assets of the Defaulter or any execution or other legal process is enforced against the business or any substantial asset of the Defaulter and is not discharged within 14 days;
- (iii) if the Defaulter ceases or threatens to cease to carry on its business or any substantial part thereof or changes or threatens to change the nature or scope of its business or if the Defaulter disposes of or threatens to dispose of or any governmental or other authority expropriates or threatens to expropriate all or any substantial part of its business or assets;
- (iv) if the Defaulter is in material breach of its obligations under the Shareholders Agreement and such breach, if capable of remedy, has not been remedied at the expiry of 30 days following written notice to that effect having been served on the Defaulter by the Non-Defaulter indicating the steps required to be taken to remedy the failure;
- (v) if the Defaulter persistently withholds its consent in relation to any matter which can only proceed and be carried out upon the unanimous written consent of all shareholders of the Target Company under the Shareholders Agreement frivolously or vexatiously in such a way as substantially to jeopardise the business or operations of the Target Company;
- (vi) if at any time after the signing of the Shareholders Agreement, there is any change in the ownership or control, direct or indirect, of any share carrying any voting rights attaching to the issued share capital of the Vendor and/or the Target Company, provided that the Vendor shall not be entitled to give a Termination Notice pursuant to this paragraph (vi).

Upon the Non-Defaulter (and the Vendor shall be deemed to be the Defaulter if Termination Event under paragraph (i) occurs) serving the Termination Notice to purchase the Defaulter's interest in the Target Company, the Defaulter shall sell to the Non-Defaulter all the Defaulter's Interest (the "**Compulsory Sale**") at the aggregate consideration equivalent to 49% (in case the Defaulter is the Vendor) or 51% (in case the Defaulter is the Purchaser) of the consolidated net assets value of the Target Company and its subsidiaries (if any) as at the date of the Termination Notice assessed by the auditor nominated and appointed by the Purchaser for this purpose.

Notwithstanding any adjustments or the Compulsory Sale as aforesaid, the Tranche 2 Consideration shall not exceed HK\$29.4 million in any circumstances.

Basis of the Consideration

The Consideration, comprising of Tranche 1 Consideration and Tranche 2 Consideration, was determined after arm's length negotiations between the Purchaser and the Vendor having considered, among others, the net asset value, the market position and business development plan of the Target Company, as well as the stock prices and profitability of companies in the industries that the Target Company is to operate in and the expertise, knowledge and experience provided by Mr. Woo (who has more than 40 years' experience in building materials and the design and fit-out construction service industry) and other employees to be employed by the Target Company.

Conditions Precedent

Tranche 1 Completion is conditional upon the fulfilment or waiver (as the case may be) of the following Conditions Precedent:

- (i) the Purchaser is satisfied with the results of its financial, legal and business due diligence conducted on the Target Company;
- (ii) the assets to be sold and transferred by the Vendor and its affiliates to the Target Company pursuant to the Sale and Purchase Agreement having been so sold and transferred;
- (iii) the existing tenancy agreements of the Wanchai Premises having been novated by Jax Interior Products Limited to the Target Company (as substituted tenant);
- (iv) the Target Company has signed employment agreements (in the forms approved by the Purchaser) with each of the designated employees listed on the Sale and Purchase Agreement;

- (v) Mr. Woo has signed an employment agreement (in the form approved by the Purchaser) with the Target Company for a term of 3 years commencing from the Tranche 1 Completion Date (subject to usual rights of termination exercisable by the Target Company);
- (vi) the representations, warranties and undertakings given by the Vendor remain true and accurate in all respects and not misleading; and
- (vii) the transactions contemplated under the Sale and Purchase Agreement having been approved by the Shareholders at a general meeting (if required under the Listing Rules).

The Purchaser may in its absolute discretion waive all or any of the Conditions Precedent (i) to (vi) above.

If any of the Conditions Precedent are not satisfied (or otherwise waived) within 6 months after the signing of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall be terminated and be of no further legal effect and the Vendor shall forthwith refund the Deposit in full to the Purchaser and no party shall have any further liability thereunder (without prejudice to the rights of the parties in respect of any antecedent breaches).

Completion

Tranche 1 Completion shall take place on the business day on which all Conditions Precedent have been fulfilled (or otherwise waived by the Purchaser) or such other date as the Purchaser and the Vendor may agree in writing.

Tranche 2 Completion shall take place (i) on 31 July 2025; or (ii) within 6 months of the service of the Termination Notice and on the date determined by the Non-Defaulter, if such date is not agreed between the Defaulter and the Non-Defaulter.

INFORMATION OF THE GROUP AND THE PURCHASER

The Company is an investment holding company and the Group is principally engaged in the operation of Winland 800 Hotel, an 800-room hotel in Tsing Yi, New Territories, Hong Kong.

The Purchaser is a wholly-owned subsidiary of the Company and its principal business is investment holding.

INFORMATION OF THE VENDOR AND ITS ASSOCIATES

The Vendor is a company incorporated in the British Virgin Islands with limited liability and its principal business is investment holding. As at the date of this announcement, Mr. Woo is the sole shareholder of the Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated on 18 January 2022 in Hong Kong with limited liability. The Target Company's principal businesses are the supply of furnitures and building materials and provision of the design and fit-out construction service.

A summary of the financial information of the Target Company (based on its unaudited financial statements) is as follow:

**From
18 January 2022
(date of incorporation)
to 28 February 2022**

Net profit (loss) before taxation	HK\$(12,250)
Net profit (loss) after taxation	HK\$(12,250)

As at 28 February 2022, total assets of the Target Company was HK\$100, the total liabilities of the Target Company was HK\$12,250 and the net liabilities of the Target Company was HK\$12,150.

Upon Tranche 1 Completion, Target Company will become an indirect non-wholly-owned subsidiary of the Company and the results, assets and liabilities of Target Company will be consolidated into the consolidated financial statements of the Group.

Upon Tranche 2 Completion, Target Company will become an indirect wholly-owned subsidiary of the Company.

“Audited Completion Accounts”	the audited accounts containing the statement of profit or loss and other comprehensive income and statement of financial position of the Target Company for the period from the date of incorporation of the Target Company up to and including the Tranche 1 Completion Date which are prepared and audited by the Auditor;
“Auditor”	auditors firm(s) from time to time nominated by the Purchaser;
“Board”	the board of Directors;
“Company”	Mexan Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 22);
“Conditions Precedent”	the conditions precedent to Tranche 1 Completion set out in the Sale and Purchase Agreement;
“Consideration”	the aggregate of the Tranche 1 Consideration and the Tranche 2 Consideration;
“Deposit”	the refundable deposit in the sum of HK\$1,000,000;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Jax Interior Products Limited”	the tenant of the Wanchai Premises and a company incorporated in Hong Kong with limited liability whose entire issued share capital is indirectly wholly owned by Mr. Woo as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Woo”	Mr. Woo Chun Yu Adolf;
“Purchaser”	Winland Building Materials Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Sale Loan”	all sums and liabilities owing by the Target Company to the Vendor;
“Sale Shares”	the Tranche 1 Sale Shares and the Tranche 2 Sale Shares, representing 100% of the issued share capital of the Target Company;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 March 2022 entered into between the Purchaser and the Vendor for the Acquisition;
“Shareholder(s)”	shareholders of the Company;
“Shareholders Agreement”	the shareholders’ agreement of the Target Company to be entered into between the Vendor, the Purchaser, the Target Company and Mr. Woo substantially in the form set out in the Sale and Purchase Agreement and which will be signed upon Tranche 1 Completion;
“Target Company”	Winland Firmstone Limited, a company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of the Vendor;

“Tranche 1 Completion”	completion of the sale and purchase of the Tranche 1 Sale Shares and the assignment of the Tranche 1 Sale Loan pursuant to the Sale and Purchase Agreement;
“Tranche 1 Completion Date”	the date on which the Tranche 1 Completion shall take place;
“Tranche 1 Consideration”	the aggregate consideration payable to the Vendor for the sale and purchase of the Tranche 1 Sale Shares and the assignment of 51% of the Sale Loan in accordance with the Sale and Purchase Agreement;
“Tranche 1 Sale Loan”	51% of the Sale Loan as at the Tranche 1 Completion Date;
“Tranche 1 Sale Shares”	51 shares of HK\$1.00 each in the issued share capital of the Target Company, representing 51% of the issued share capital of the Target Company as at the Tranche 1 Completion Date;
“Tranche 2 Completion”	completion of the sale and purchase of the Tranche 2 Sale Shares and the assignment of 49% of the Sale Loan pursuant to the Sale and Purchase Agreement;
“Tranche 2 Completion Date”	the date on which the Tranche 2 Completion shall take place;
“Tranche 2 Consideration”	the aggregate consideration payable to the Vendor for the sale and purchase of the Tranche 2 Sale Shares and the assignment of 49% of the Sale Loan in accordance with the Sale and Purchase Agreement;
“Tranche 2 Sale Loan”	the Sale Loan as at the Tranche 2 Completion Date;
“Tranche 2 Sale Shares”	49 shares of HK\$1.00 each in the issued share capital of the Target Company, representing 49% of the issued share capital of the Target Company as at the Tranche 2 Completion Date;

“Vendor”	Result Best Limited, a company incorporated in the British Virgin Islands with limited liability;
“Wanchai Premises”	shops on the whole of the 1st Floor and 2nd Floor and the office on the whole of the 5th Floor of Nos.206-212 Johnston Road, Wanchai, Hong Kong;
“%”	per cent.

By Order of the Board
MEXAN LIMITED
Lun Yiu Kay Edwin
Chairman

Hong Kong, 9 March 2022

As at the date of this announcement, the executive Directors are Mr. Lun Yiu Kay Edwin (Chairman) and Mr. Ng Tze Ho Joseph and the independent non-executive Directors are Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lau Shu Kan.