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## **WINDMILL GROUP LIMITED**

**(海鑫集團有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1850)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY**

#### **THE SALE AND PURCHASE AGREEMENT**

On 8 December 2022 (after trading hours), 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 free from all encumbrances at the consideration of HK\$17,550,000, subject to Adjustment.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The exercise of the Option will constitute a notifiable transaction of the Company, and the Company will comply with the relevant notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules and further announcement(s) will be made by the Company in this regard as and when necessary.

#### **INTRODUCTION**

The Board is pleased to announce that on 8 December 2022 (after trading hours), 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 free from all encumbrances at the consideration of HK\$17,550,000, subject to Adjustment.

## **THE SALE AND PURCHASE AGREEMENT**

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

### **Date**

8 December 2022

### **Parties**

- (1) Purchaser: Market Star International Limited
- (2) Vendor: AA Ocean Holdings Limited

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

### **Subject Matter**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares free from all encumbrances at the consideration of HK\$17,550,000, subject to Adjustment.

The Vendor also grants an Option to the Purchaser whereby the Purchaser may elect (but is not obliged) to purchase all or part of the Option Shares, provided that Option can be exercised by the Purchaser giving a written notice to the Vendor not later than 30 April 2023.

The Sale Shares and the Option Shares, respectively, represent 78% and 22% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and immediately before the Completion.

### **Consideration**

The Consideration for the Acquisition is HK\$17,550,000, subject to Adjustment and where the Purchaser exercises the Option, the consideration per Option Share shall be the same as the Consideration per Sale Share with application of Adjustment (where applicable).

The Consideration will be satisfied by the Group's internal resources and shall be paid by or on behalf of the Purchaser to the Vendor in the following manners:

- (i) HK\$10,000,000 shall be paid upon Completion;
- (ii) HK\$2,550,000 shall be paid on 31 March 2023 (or, if such date is not a Business Day, the next following Business Day);

- (iii) HK\$2,500,000 shall be paid on 30 June 2023 (or, if such date is not a Business Day, the next following Business Day) provided that the Management Account has shown the Target Company has made a Profit; and
- (iv) the remaining Consideration (subject to Adjustment, where applicable) shall be paid on 30 November 2023 (or, if such date is not a Business Day, the next following Business Day).

**Basis of the Consideration and Adjustment**

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor based on a valuation of the Target Company at HK\$22,500,000 derived from the product of an expected Reference Year Profit of HK\$4,500,000 multiplied by a P/E ratio of 5.

Pursuant to the Sale and Purchase Agreement, if the actual Reference Year Profit is less than HK\$4,500,000, then the Purchaser shall have the sole discretion to select by giving a written notice to the Vendor to adjust the Consideration downwards in the following manner:

- (a) reduce the total Consideration to an amount that is equal to the product of:

Reference Year Profit X P/E ratio of 5 X 78% (or 78% plus the shareholding percentage of the Target Company represented by the Option Shares if the Purchaser has exercised the Option)

and accordingly the Final Payment shall be such reduced Consideration minus the aggregate amount of Consideration payments made earlier by the Purchaser.

- (b) provided the Purchaser has not exercised the Option, keep the Consideration at the level of HK\$17,550,000 but request the Vendor to transfer additional Shares (free from all encumbrances together with all rights now or hereafter attaching thereto) to the Purchaser at nil additional consideration, as calculated as follows:

$$\begin{array}{l} \text{Additional percentage of Shares to be} \\ \text{transferred by the Vendor to the} \\ \text{Purchaser} \end{array} = \frac{\text{HK\$17,550,000}}{\text{Reference Year Profit X} \\ \text{P/E ratio of 5}} - 78\%$$

In such selection alternative, on the date of Final Payment:

- (i) the transfer to the Purchaser of such additional Shares by the Vendor shall be completed in accordance with the Sale and Purchase Agreement; and
- (ii) the Purchaser shall make the Final Payment; or

- (c) provided the Purchaser has not exercised the Option, where the Reference Year Profit is less than HK\$3,510,000 (which is HK\$17,550,000 divided by P/E ratio of 5) while the Purchaser does not select the alternative set out above, then on the date of Final Payment,
- (i) the transfer to the Purchaser of all of the remaining Shares held or owned by the Vendor (free from all encumbrances together with all rights now or hereafter attaching thereto including but not limited to all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the date of transfer) at nil additional consideration by the Vendor shall be completed; and
  - (ii) the Purchaser shall pay the Vendor in the sum of:  
  
(Reference Year Profit X P/E ratio of 5) – the aggregate amount of Consideration payments made earlier by the Purchaser

If any sum as calculated above to be payable to the Vendor would be a negative number, the Purchaser shall not be obliged to make any further payment of Consideration and the Vendor shall not be required to refund to the Purchaser any amount of Consideration payments made earlier by the Purchaser.

### **Conditions**

Completion is conditional upon:

- (a) the Purchaser being satisfied with the financial and legal due diligence conducted against the Target Company;
- (b) the Company and the Purchaser having obtained all necessary consent and approval (including without limitation, the approval from the Stock Exchange, where applicable) for the completion of the transaction contemplated hereunder;
- (c) the warranties made by the Vendor and the Purchaser remaining true and accurate and not misleading at all times between the date of the Sale and Purchase Agreement and (including) the Completion Date;
- (d) the Purchaser having complied with and performed all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement;
- (e) the Target Company having obtained the landlord's consent in respect of the Acquisition;

- (f) the Vendor and the Target Company having obtained all other necessary consent and approval (including without limitation, the approval from any government authority, where applicable) for the completion of the transaction contemplated hereinunder;
- (g) the Vendor having complied with and performed all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement; and
- (h) no material adverse change having occurred.

If any of the conditions precedent has not been satisfied or waived (as the case may be) on or before 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall cease and determine and none of the Vendor nor Purchaser shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

### **Completion**

The Completion shall take place on the Completion Date upon all conditions set out in the Sale and Purchase Agreement are satisfied or waived (as the case may be). Upon the Completion, the Company will indirectly own 78% of the entire issued share capital of the Target Company, and the Target Company will become a subsidiary of the Company.

### **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly owned by the Vendor.

The Target Company is principally engaged in manufacturing of prefabricated modules and components to be used in fire services installation and related purposes.

## Financial information of the Target Company

Set out below are the financial information of the Target Company as extracted from its audited financial statements for the period ended from 17 February 2021 (date of incorporation) to 31 March 2022 and unaudited financial statements for the six months ended 30 September 2022:

	<b>For the period ended 31 March 2022 (from date of incorporation to 31 March 2022) <i>HK\$'000</i> (audited)</b>	<b>For the six months ended 30 September 2022 <i>HK\$'000</i> (unaudited)</b>
Revenue	360	1,897
Loss before taxation	(2,764)	(1,214)
Loss after taxation	(2,764)	(1,214)

The unaudited net liabilities of the Target Company as at 30 September 2022 amounted to approximately HK\$3,967,000.

## INFORMATION ON THE GROUP, THE COMPANY AND THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

### The Group and the Company

The Company is a company incorporated in the Cayman Islands and its principal activity is investment holding. The Group is a registered fire service installation contractor engaged in installation, maintenance, repair or inspection of fire safety systems for more than 30 years in Hong Kong.

### The Purchaser

The Purchaser is a company incorporated in the BVI with limited liability and its principal activity is investment holding. As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of the Company.

### The Vendor

The Vendor is a company incorporated in the BVI with limited liability and its principal activity is investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, based on the information available to the Company, the Vendor is ultimately owned as to 100% by Ms. Sami Pang, an individual businesswoman in the relevant industry.



“Board”	The board of Directors.
“Business Day”	a day on which licensed banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	British Virgin Islands.
“Company”	WINDMILL Group Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 01850)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement.
“Completion Date”	a date which falls within five (5) Business Days from the date on which all the conditions set out in the Sale and Purchase Agreement are fulfilled (or, where applicable, waived) or such later date as may be agreed by the Vendor and the Purchaser.
“Consideration”	the total payable consideration for the Acquisition, being HK\$17,550,000, subject to Adjustment.
“Directors”	the director(s) of the Company.
“Final Payment”	the remaining Consideration to be paid on 30 November 2023 (or, if such date is not a Business Day, the next following Business Day).
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



“Long Stop Date”	the day falling one month after the date of Sale and Purchase Agreement, or such later date as the Vendor and the Purchaser may agree.
“Management Account”	the unaudited profit and loss account of the Target Company for the six-month period from 1 November 2022 to 30 April 2023.
“Option”	an option granted by the Vendor to the Purchaser whereby the Purchaser may elect (but is not obliged) to purchase all or part of the Option Shares, which can be exercised by the Purchaser giving a written notice to the Vendor not later than 30 April 2023.
“Option Shares”	2,200 Shares legally and beneficially held and owned by the Vendor, representing 22% of the entire issued share capital of the Target Company, being the remaining Shares held and owned by the Vendor after Completion.
“Profit”	the net profit before tax of the Target Company.
“Purchaser”	Market Star International Limited, a company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of the Company
“Reference Year”	the 12-month period ending on 30 October 2023.
“Reference Year Account”	the unaudited profit and loss account of the Target Company for the Reference Year.
“Reference Year Profit”	the Profit of the Target Company for the Reference Year as shown in the Reference Year Account.
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 December 2022 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Shares”	7,800 Shares legally and beneficially held and owned by the Vendor, representing 78% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and on the Completion Date.
“Share(s)”	the ordinary share(s) in the capital of the Target Company.
“Shareholder(s)”	the holder(s) of issued Shares.

“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Target Company”	Noah Ark Pipelines Company Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Vendor as at the date of the Sale and Purchase Agreement.
“Vendor”	AA Ocean Holdings Limited, a company incorporated in the BVI with limited liability.
“%”	Per cent.

By Order of the Board  
**WINDMILL Group Limited**  
**Liu Shihao**  
*Chairman*

Hong Kong, 8 December 2022

*As at the date of this announcement, the executive Director is Mr. Liu Shihao, Mr. Li Shing Kuen Alexander and Ms. Wang Ya; and the independent non-executive Directors are Mr. Yu Wai Chun, Mr. Li Ka Chun Gordon and Mr. Xian Gonghua.*