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Wan Kei Group Holdings Limited

宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

4TH SUPPLEMENTAL AGREEMENT TO THE MAJOR TRANSACTION

References are made to (a) the announcements of the Company dated 10 December 2019, 9 June 2020 and 4 September 2020 in relation to, among others, the Acquisition of the 35% issued share capital of the Target Company which is principally engaged in the business of provision of food and beverage catering services utilising well-known IP rights; (b) the announcements of the Company dated 10 August 2021 and 10 September 2021 in relation to, among others, the fulfilment of Guaranteed Profit and Guaranteed IP Right for the 2020-2021 Guaranteed Period in relation to the Acquisition; and (c) the announcement of the Company dated 29 August 2022 in relation to, among others, the major transaction in relation to the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option on the terms and conditions pursuant to the 3rd Supplemental Agreement (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board wishes to announce that on 25 November 2022 (after trading hours), the Company, the Vendors and the Vendor Guarantors entered into a supplemental agreement (the “**4th Supplemental Agreement**”) to supplement and further amend the terms of the Proposed Partial Exercise of Put Option and Extension of Remaining Put Option.

4TH SUPPLEMENTAL AGREEMENT

The principal terms of the 4th Supplemental Agreement are as follows:

Date

25 November 2022 (after trading hours)

Parties

- (i) the Company;
- (ii) the Vendors (i.e. Massive Dynamic and Shen Garden); and
- (iii) The Vendor Guarantors (i.e. Mr. Shao Chao and Mr. Shen Kan).

As disclosed in the announcement of the Company dated 29 August 2022, the parties conditionally agreed under the 3rd Supplemental Agreement to:

- (a) for the Company to partially exercise the Put Option to require the Vendors to purchase approximately 15.3% of the entire issued share capital of the Target Company in the total amount of HK\$21,679,747.95; and
- (b) for the Vendors to grant an extension to the Remaining Put Option conferring the right to the Company to require the Vendors to purchase approximately 19.7% (i.e. the remaining interest held in the Target Company by the Company) of the entire issued share capital of the Target Company if the Actual Profit for the FY2022-2023 recorded is less than HK\$7,400,000.

On 25 November 2022 (after trading hours), the parties entered into the 4th Supplemental Agreement pursuant to which they conditionally agreed to further amend the terms of the Proposed Partial Exercise of Put Option and Extension of Remaining Put Option as follows:

- (a) subject to the Company's right to exercise the Remaining Put Option in (b) below, if the Actual Profit is less than the guaranteed profit of HK\$13,000,000 during FY2022-2023, the Vendors and the Vendor Guarantors shall compensate the Company in the amount calculated (the "**FY2022-2023 Compensation Amount**") based on the following:

FY2022-2023 Compensation Amount = HK\$13,000,000 – Actual Profit

- (b) if the Actual Profit is less than the minimum guaranteed profit of HK\$7,400,000 during FY2022-2023, the Company shall have the right to exercise the Remaining Put Option to require the Vendors to purchase the remaining approximately 19.7% interest held by the Company in the Target Company pursuant to the terms and conditions under the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement).

The guaranteed profit of HK\$13,000,000 for FY2022-2023 was determined after arm's length negotiations between the parties with reference to the Guaranteed Profit for the FY2021-2022 Guaranteed Period but taking into account the loss of profit of the Target Group during the four-month lockdown period in early to mid-2022 in certain cities in the PRC. The Guaranteed Profit for the FY2021-2022 Guaranteed Period in the amount of HK\$20,000,000 was determined based on the five-year financial forecast which the valuation conducted by an independent valuer to assess the market value of the entire issued share capital of the Target Company as at 31 August 2019 (the "**8/2019 Valuation**", as disclosed in the announcements of the Company dated 10 December 2019 and 4 September 2020) was based on.

Conditions Precedent

The Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option will become effective subject to the fulfilment of the followings:

- (1) the Vendors having obtained all necessary approvals and clearances of any relevant regulatory authorities or other relevant third parties as required in respect of the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), and the 4th Supplemental Agreement and the transactions contemplated thereunder, if applicable; and
- (2) the Company having complied with all applicable requirements under the Listing Rules (including the obtaining of the approval of the Shareholders at a general meeting held in respect of the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), and the 4th Supplemental Agreement and the transactions contemplated thereunder), and/or having completed, obtained and fulfilled all necessary approvals, notices and clearances of any relevant regulatory authorities or other relevant third parties as required in respect of the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), and the 4th Supplemental Agreement and the transactions contemplated thereunder, if applicable.

(collectively, the "**Conditions**")

The Company and the Vendors shall use their reasonable endeavours to procure that the Conditions above are satisfied on or before 28 August 2023 (the “**Long Stop Date**”). If the Conditions are not fulfilled before the Long Stop Date (or such other date as the parties may agree in writing), the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement) and the 4th Supplemental Agreement shall lapse and become null and void and the parties shall be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE 4TH SUPPLEMENTAL AGREEMENT

The Group is principally engaged in the provision of (i) foundation construction; (ii) ground investigation services; (iii) financial services; and (iv) trading of beauty and skin care products in Hong Kong.

With the view to maintain a stable and sustainable development of the Group’s existing business as well as to diversify and expand the Group’s business in light of the slowing down of the overall growth of the foundation industry in Hong Kong, the Company entered into the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement) with the Vendors and the Vendor Guarantors to acquire 35% of the entire issued share capital of the Target Company. Pursuant to the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), the Vendors and the Vendor Guarantors unconditionally and irrevocably guaranteed and warranted to the Company for each of the 2020-2021 Guaranteed Period and the 2021-2022 Guaranteed Period that: (a) the Actual Profit shall meet the Guaranteed Profit of at least HK\$10,000,000 for the 2020-2021 Guaranteed Period and at least HK\$20,000,000 for the 2021-2022 Guaranteed Period; and (b) the Target Group shall acquire at least one IP Right as designated by the Company to be used in relation the Target Group’s business(es) for each of the Guaranteed Periods. In addition, the Vendors granted the Company, among others, the Put Option under the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement) conferring the Company the right to require the Vendors to purchase the acquired 35% of the issued share capital of the Target Company during the Exercise Period if, among others, the Actual Profit is less than half of the amount of the Guaranteed Profit or the Actual Loss is recorded in respect of the relevant Guaranteed Period, save for the occurrence of any force majeure events as agreed between the parties. The Acquisition was completed on 4 September 2020.

As disclosed in the announcements of the Company dated 10 August 2021, 10 September 2021 and 29 August 2022, the Target Group has fulfilled the Guaranteed Profit and the Guaranteed IP Rights for the 2020-2021 Guaranteed Period but the Target Group incurred Actual Loss of approximately HK\$3,708,000 during the 2021-2022 Guaranteed Period despite the efforts of the Vendors.

As mentioned in the announcement of the Company dated 29 August 2022, in view of the fact that (a) the Target Group was able to achieve the Guaranteed Profit and obtain at least one Guaranteed IP Rights for the 2020-2021 Guaranteed Period; (b) the Target Group was still able to obtain at least one Guaranteed IP Rights for the 2021-2022 Guaranteed Period notwithstanding the difficulties imposed by the lockdowns and public health measures; (c) the failure of the Target Group to achieve the Guaranteed Profit was primarily due to the on-going COVID-19 situation, which was out of the control of the parties; (d) the continued growth in the IP Rights-related derivative market where the Target Group operates in, together with the increase in average consumption power of the people in the PRC as illustrated in the announcement; and (e) the Company can still opt, at its discretion, to exercise the Remaining Put Option if the Target Group still could not attain Actual Profit of HK\$7,400,000 (as a minimum profit guarantee to justify the Company to continue to hold the remaining approximately 19.7% interest in the Target Company) after observing for one additional year, the Company entered into on 29 August 2022 the 3rd Supplemental Agreement with the Vendors and Vendor Guarantors.

In view of obtaining further protection and security to the Company and its shareholders as a whole, the Company further proposed and entered into the 4th Supplemental Agreement with the Vendors and the Vendor Guarantors to include a compensation mechanism under which the Company will be compensated with the FY2022-2023 Compensation Amount if the Target Company failed to attain the Actual Profit of HK\$13,000,000 but could attain the Actual Profit of HK\$7,400,000 or more for FY2022-2023.

Whereas the minimum guaranteed profit of HK\$7,400,000 for FY2022-2023 was determined based on the profits expected to be generated by the Target Group from 1 April 2022 to 31 March 2023 as prudently projected based on cash flow projections (which was in turn based on the latest financial budget of the Target Company covering a five-year period approved by the management after taking into account the operation environment and market conditions, basis of which was reviewed by the Company's auditors), the Group took into account the five-year financial forecast which the 8/2019 Valuation (and in turn the basis of the Consideration of the Acquisition) was based on, together with the deduction of the loss of profit of the Target Group during the four-month lockdown period in early to mid-2022 for certain cities in the PRC which severely affected the Target Group's business operation during FY2022-2023 to determine the guaranteed profit of HK\$13,000,000. While the Company believes that it remains desirable for it to continue to hold the remaining interest in the Target Company if the Target Group could attain the minimum guaranteed profit of HK\$7,400,000 for FY2022-2023, the Company considers that it is fair and reasonable to set the guaranteed profit for FY2022-2023 to HK\$13,000,000 based on the Guaranteed Profit of HK\$20,000,000 for FY2021-2022 Guaranteed Period (which the Target Group previously failed to attain) and adjusted by the loss of profit of the Target Group during the lockdown period so as to effectively adjust the corresponding Consideration of the remaining approximately 19.7% interest in the Target Company on the same basis. With the revised terms of the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option, the Company will be compensated by either the FY2022-2023 Compensation Amount in the maximum amount of HK\$5,600,000 (if the Target Company failed to attain the Actual Profit of HK\$13,000,000 but could attain Actual Profit of HK\$7,400,000 or more for FY2022-2023) or the Remaining Option Consideration together with the premium of approximately HK\$7,016,000 (if the Target Company failed to attain the Actual Profit of HK\$7,400,000 for FY2022-2023).

Taking into account the aforementioned considerations and that the reduced shareholding in the Target Company would allow the Company to recover nearly half of the consideration paid under the Acquisition, the Directors are of the view that a partial exercise, instead of a full exercise, of the Put Option would allow the Group to continue to closely monitor the business and financial performance of the Target Group amid the COVID-19 pandemic during the one-year extended period with sufficient compensation mechanism while allowing the Group to continue its venture into IP Rights-related derivative business (albeit holding a less equity interest for prudence sake) with the view to further diversify and expand its business. Therefore, the Company considered that the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option pursuant to the 3rd Supplement Agreement and the 4th Supplemental Agreement is on normal commercial terms, which is fair and reasonable, and would allow the Company to further safeguard the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As mentioned in the announcement of the Company dated 29 August 2022, as one or more of the applicable percentage ratios in respect of the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option is more than 25% but less than 75%, the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option pursuant to the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement) constitutes a major transaction for the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

As none of the Directors has a material interest in the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option, no Director is required to abstain and had so abstained from voting on the relevant board resolutions for the entering into of the 4th Supplemental Agreement.

An EGM will be convened by the Company to approve the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option pursuant to the 3rd Supplemental Agreement and the 4th Supplemental Agreement. As mentioned in the announcement of the Company dated 18 November 2022, a circular containing, among other things, (i) further details of the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option; (ii) financial information of the Group; and (iii) notice of the EGM is expected to be despatched to the Shareholders on or before 20 December 2022.

DEFINITIONS

“1st Supplemental Agreement”	the supplemental agreement dated 9 June 2020 entered into between the Company, the Vendor and the Vendor Guarantors extending the long stop date for fulfilling the condition precedents of the acquisition of the 51% Shares Interest
“2nd Supplemental Agreement”	the supplemental agreement dated 4 September 2020 entered into between the Company, the Vendors and the Vendor Guarantors to supplement and amend the terms of the Sale and Purchase Agreement
“3rd Supplemental Agreement”	the supplemental agreement dated 29 August 2022 entered into between the Company, the Vendors and the Vendor Guarantors to supplement and amend the terms of the Sale and Purchase Agreement
“4th Supplemental Agreement”	the supplemental agreement dated 25 November 2022 entered into between the Company, the Vendors and the Vendor Guarantors to supplement and amend the terms of the Sale and Purchase Agreement
“Acquisition”	the proposed acquisition of the 35% Share Interests by the Company from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
“Announcements”	the announcements made by the Company dated 10 December 2019, 9 June 2020, 4 September 2020, 10 August 2021, 10 September 2021 and 29 August 2022
“Board”	the board of Directors
“Company”	Wan Kei Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange with stock code 1718
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the 3rd Supplemental Agreement (as amended by the 4th Supplemental Agreement), the 4th Supplemental Agreement and the transactions contemplated thereunder

“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Massive Dynamic”	Massive Dynamic Venture Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Shao Chao (邵超)
“PRC”	the People’s Republic of China
“Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option”	the proposed partial exercise of the Put Option by the Company to require the Vendors to purchase approximately 15.3% of the entire issued share capital of the Target Company and the extension of the remaining put option conferring the right to the Company to require the Vendors to purchase approximately 19.7% (i.e. the remaining interest held in the Target Company by the Company) of the entire issued share capital of the Target Company pursuant to the terms and conditions under the 3rd Supplemental Agreement and 4th Supplemental Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement entered into amongst the Company (as purchaser), the Vendors and the Vendor Guarantors dated 10 December 2019 in relation to the Acquisition, as supplemented and amended by the 1st Supplemental Agreement and the 2nd Supplemental Agreement
“Share(s)”	Ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Shen Garden”	Shen Garden Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Shen Kan (沈侃)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Matsu Gami IP Development Limited, a company incorporated in the British Virgin Islands with limited liability and is owned by 35% by the Company, 39% by Massive Dynamic and 26% by Shen Garden
“Target Group”	the Target Company and its subsidiaries from time to time
“Vendors”	Massive Dynamic and Shen Garden
“Vendor Guarantors”	collectively, Mr. Shao Chao and Mr. Shen Kan
“%”	per cent

By order of the Board
Wan Kei Group Holdings Limited
Yan Shuai
Chairman

Hong Kong, 25 November 2022

As at the date of this announcement, the executive Directors are Mr. Yan Shuai and Mr. Zhu Jiayu; the non-executive Directors are Mr. Zhang Zhenyi and Mr. Chui Kwong Kau; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Mr. Leung Ka Fai Nelson and Mr. Eric, Todd.