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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)**

## **FURTHER CHANGE ON USE OF PROCEEDS**

References are made to the announcements of Wan Kei Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 October 2018 (the “**2018 Announcement**”), 17 August 2021 (the “**2021 Announcement**”), 29 August 2022 (the “**2022 Announcement**”) and the interim report of the Company for the six months ended 30 September 2022 (the “**2022 Interim Report**”). Unless otherwise stated, terms used in this announcement shall have the same meanings as those defined in the 2022 Interim Report.

This announcement is made to provide an update of the use of proceeds from the placing of 160,000,000 new ordinary shares of HK\$0.01 each of the Company, which was completed on 16 December 2016 (the “**Placing**”).

## **PREVIOUS CHANGE OF USE OF PROCEEDS**

The net proceeds from the Placing were approximately HK\$134,000,000 (the “**Net Proceeds**”). As disclosed in the 2021 Announcement, subsequent to the first change of the use of Net Proceeds as disclosed in the 2018 Announcement, the Company further resolved to change the use of the Net Proceeds, being approximately HK\$76,700,000 as at 31 March 2021 as follows: (i) as to approximately HK\$70,700,000, to fund further possible acquisition(s), including further possible acquisition of 16% of the issued share capital of Matsu Gami IP Development Limited (“**Matsu Gami**”); and (ii) as to the remaining balance of approximately HK\$6,000,000, for general working capital.

## CHANGE IN USE OF PROCEEDS

For the reasons stated in the paragraphs headed “Reasons for and Benefits of the Change in Use of Proceeds” below, the board of directors of the Company (the “**Board**”) has further resolved to change the use of the Net Proceeds, being approximately HK\$70,700,000 as at 31 March 2022 (the “**Unutilised Net Proceeds**”) as follows: (i) as to approximately HK\$25,700,000, to fund further possible acquisition(s) and (ii) as to the remaining balance of approximately HK\$45,000,000, for general working capital. Set out below is a summary of the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the remaining Unutilised Net Proceeds:

	<b>Planned use of Net Proceeds as disclosed in the 2021 Announcement</b> <i>HK\$ million (approximately)</i>	<b>Utilised amount as at the date of this announcement</b> <i>HK\$ million (approximately)</i>	<b>Unutilised amount as at the date of this announcement</b> <i>HK\$ million (approximately)</i>	<b>Revised allocation as at the date of this announcement</b> <i>HK\$ million (approximately)</i>	<b>Expected timeline</b>
Funding further possible acquisition(s)	70.7	–	70.7	25.7	By 31 March 2025
General working capital	6.0	6.0	–	45.0	By 31 March 2024
Total:	<u>76.7</u>	<u>6.0</u>	<u>70.7</u>	<u>70.7</u>	

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the Company’s announcement dated 4 September 2020 and the 2021 Announcement, the Company completed the acquisition of 35% of the issued share capital of Matsu Gami on 4 September 2020 and was granted the right to further acquire 16% of the issued share capital of Matsu Gami at a consideration of HK\$35,025,000 (the “**Call Option**”) if Matsu Gami achieves certain guaranteed profits and acquires certain intellectual property rights for the year ended 31 March 2021 or 31 March 2022. The Company may exercise the Call Option within the periods either (i) beginning on 31 July 2021 and ending on the 30th business day thereafter; or (ii) beginning on 31 July 2022 and ending on the 30th business day thereafter. As disclosed in the 2022 Announcement and the 2022 Interim Report, due to non-fulfillment of the profit guarantee, the Call Option has lapsed in accordance with the terms of the Sale and Purchase Agreement (as amended and supplemented by the 1st supplemental agreement and the 2nd supplemental agreement). In view of the lapse of the Call Option, the Group has carried out investigation and research, but no suitable target for acquisition has been identified. As a result, the Unutilised Net Proceeds have remained idle. While the Group’s strategy to diversify and expand the Group’s businesses remains unchanged, the Group requires more working capital to meet its operation needs.

The Board has assessed a number of options to finance the general working capital of the Group going forward, such as re-designating the Unutilised Net Proceeds or taking out bank loans. Having considered the costs that may be incurred in the above courses of action and the time requirements, the Board is of the view that it would be most appropriate to further change the use of the Unutilised Net Proceeds, such that they may also be used for general working capital, in addition to supporting research on business expansion when suitable opportunities arise. As such, based on the interest of the Company and its shareholders as a whole, and in view of strengthening the efficiency and effectiveness of the capital use, the Board has resolved to re-allocate HK\$45.0 million, which were originally allocated for acquisitions to general working capital and will be applied towards staff costs, rental payment, audit fees, professional fees, and other operating expenses such as insurance, which are recurring and unavoidable in nature to support the normal daily operations of the Company.

The Board will closely monitor the operations of the Group, and the plans for the use of Unutilised Net Proceeds, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance of the Group. The Board considers the above change in the use of the Unutilised Net Proceeds is fair and reasonable, as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and its shareholders as a whole.

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

Hong Kong, 3 January 2023

*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.*