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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)

**(1) NON-FULFILMENT OF PROFIT GUARANTEE
IN RESPECT OF
DISCLOSEABLE TRANSACTION; AND
(2) MAJOR TRANSACTION
IN RESPECT OF
PROPOSED PARTIAL EXERCISE OF PUT OPTION
AND EXTENSION OF THE REMAINING PUT OPTION**

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; and (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.

NON-FULFILLMENT OF PROFIT GUARANTEE IN RESPECT OF DISCLOEABLE TRANSACTION

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.

The Vendors granted to the Company 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 right to the Company to require the Vendors to purchase all of the 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.

In addition to the Put Option granted to the Company, the Vendors granted the Company the Call Option under the 2nd Supplemental Agreement conferring the right to the Company to require the Vendors to sell the 16% of the issued share capital of the Target Company during the Exercise Periods, if:

- (a) the Target Group having achieved the Guaranteed Profits of HK\$10,000,000 and obtained at least one Guaranteed IP Right for the 2020-2021 Guaranteed Period as determined on the 1st Determination Date; or
- (b) if condition (a) is not fulfilled, the Target Group having achieved the Guaranteed Profits of HK\$20,000,000 and obtained at least one Guaranteed IP Right for the 2021-2022 Guaranteed Period as determined on the 2nd Determination Date.

As disclosed in the announcements of the Company dated 10 August 2021 and 10 September 2021, the Target Group has fulfilled condition (a) for the 2020-2021 Guaranteed Period but the Company adopted a prudent approach and decided not to exercise the Call Option during the 1st Exercise Period.

However, as disclosed in the annual report of the Company for the year ended 31 March 2022, the Target Group recorded a loss of approximately HK\$3,708,000 based on the audited figures of the Target Group for the year ended 31 March 2022. Despite the Target Group had acquired at least one Guaranteed IP Right for the 2021-2022 Guaranteed Period, the Target Group did not fulfil the Guaranteed Profit for the 2021-2022 Guaranteed Period. Given the condition (b) of the Call Option was not being fulfilled and the unsatisfactory performance of the Target Group during the 2021-2022 Guaranteed Period, the Call Option has therefore 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).

PROPOSED PARTIAL EXERCISE OF PUT OPTION AND EXTENSION OF THE REMAINING PUT OPTION

According to the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), the Company may exercise the Put Option within the period ending on the 30th business day after the determination date of the 2021-2022 Guaranteed Period in the event that the Actual Loss is recorded in respect of the 2021-2022 Guaranteed Period.

As disclosed above, the Target Group recorded a loss of approximately HK\$3,708,000 for the 2021-2022 Guaranteed Period. Under the terms of the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), the Company therefore has the right to exercise the Put Option in requiring the Vendors to repurchase all of the share interest the Company has in the Target Company. Given the Target Group fulfilled both the Guaranteed Profit and the Guaranteed IP Rights during the 2020-2021 Guaranteed Period but incurred Actual Loss despite having fulfilled the Guaranteed IP Rights during the 2021-2022 Guaranteed Period, in light of the unfavourable market conditions due to the COVID-19 Outbreak, the Company on 29 August 2022 (after trading hours) entered into the 3rd Supplemental Agreement with the Vendors and the Vendor Guarantors, pursuant to which the parties conditionally agreed:

- (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 (being the amount held in the escrow account as maintained by the Escrow Agent) as the aggregated amount of the Partial Option Consideration and the premium in the amount equals to the Partial Option Consideration multiplied by the 10% annualised rate of return; 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 FY2022-2023 recorded is less than HK\$7,400,000.

LISTING RULES IMPLICATIONS

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 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.

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 3rd 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. 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 September 2022.

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; and (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 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

NON-FULFILLMENT OF PROFIT GUARANTEE IN RESPECT OF DISCLOEABLE TRANSACTION

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.

The Vendors granted to the Company 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 right to the Company to require the Vendors to purchase all of the 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.

In addition to the Put Option granted to the Company, the Vendors granted the Company the Call Option under the 2nd Supplemental Agreement conferring the right to the Company to require the Vendors to sell the 16% of the issued share capital of the Target Company during the Exercise Periods, if:

- (a) the Target Group having achieved the Guaranteed Profits of HK\$10,000,000 and obtained at least one Guaranteed IP Right for the 2020-2021 Guaranteed Period as determined on the 1st Determination Date; or
- (b) if condition (a) is not fulfilled, the Target Group having achieved the Guaranteed Profits of HK\$20,000,000 and obtained at least one Guaranteed IP Right for the 2021-2022 Guaranteed Period as determined on the 2nd Determination Date.

As disclosed in the announcements of the Company dated 10 August 2021 and 10 September 2021, the Target Group has fulfilled condition (a) for the 2020-2021 Guaranteed Period but the Company adopted a prudent approach and decided not to exercise the Call Option during the 1st Exercise Period.

However, as disclosed in the annual report of the Company for the year ended 31 March 2022, the Target Group recorded a loss of approximately HK\$3,708,000 based on the audited figures of the Target Group for the year ended 31 March 2022. Despite the Target Group had acquired at least one Guaranteed IP Right for the 2021-2022 Guaranteed Period, the Target Group did not fulfil the Guaranteed Profit for the 2021-2022 Guaranteed Period. Given the condition (b) of the Call Option was not being fulfilled and the unsatisfactory performance of the Target Group during the 2021-2022 Guaranteed Period, the Call Option has therefore 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).

PROPOSED PARTIAL EXERCISE OF PUT OPTION AND EXTENSION OF THE REMAINING PUT OPTION

According to the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), the Company may exercise the Put Option within the period ending on the 30th business day after the determination date of the 2021-2022 Guaranteed Period in the event that the Actual Loss is recorded in respect of the 2021-2022 Guaranteed Period.

As disclosed above, the Target Group recorded a loss of approximately HK\$3,708,000 for the 2021-2022 Guaranteed Period. Under the terms of the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), the Company therefore has the right to exercise the Put Option in requiring the Vendors to repurchase all of the share interest the Company has in the Target Company. Given the Target Group fulfilled both the Guaranteed Profit and the Guaranteed IP Rights during the 2020-2021 Guaranteed Period but incurred Actual Loss despite having fulfilled the Guaranteed IP Rights during the 2021-2022 Guaranteed Period, in light of the unfavourable market conditions due to the COVID-19 Outbreak, the Company on 29 August 2022 (after trading hours) entered into the 3rd Supplemental Agreement with the Vendors and the Vendor Guarantors pursuant to which the parties conditionally agreed to the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option.

Principal terms of the 3rd Supplemental Agreement

The principal terms of the 3rd Supplemental Agreement are as follows:

Date

29 August 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).

Pursuant to the 3rd Supplemental Agreement, the parties conditionally agreed 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 (being the amount held in the escrow account as maintained by the Escrow Agent) as the aggregated amount of the Partial Option Consideration (as defined below) and the premium in the amount equals to the Partial Option Consideration multiplied by the 10% annualised rate of return; 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 year ended 31 March 2023 (the “**FY2022-2023**”) recorded is less than HK\$7,400,000.

Upon partial exercise of the Put Option by the Company under the 3rd Supplemental Agreement, the consideration payable by the Vendors pursuant to the sale and purchase of approximately 15.3% of the entire issued share capital of the Target Company shall be the aggregate of (i) HK\$18,087,104 (the “**Partial Option Consideration**”), which represents approximately 43.6% of the total consideration of HK\$41,475,000 for the acquisition of 35% of the entire issued share capital of the Target Company by the Company under the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement); and (ii) the premium in the amount equals to the Partial Option Consideration multiplied by the 10% annualised rate of return. The Partial Option Consideration and the premium in the total amount of HK\$21,679,747.95 shall be satisfied by the amount maintained by the Escrow Agent in the escrow account according to the Escrow Agreement. The completion of the sale and purchase of such interest shall take place within ten (10) business days from the fulfilment of the Conditions referred to in the paragraph headed “Conditions Precedent” below (the “**Partial Option Completion**”).

In the event that the Target Company failed to attain Actual Profit of at least HK\$7,400,000 during FY2022-2023, the Company has the right, under the 3rd Supplemental Agreement, 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 held by it (the “**Remaining Put Option**”), which the Company may exercise the within the period beginning on the date of the Completion and ending on the 30th business day after 31 July 2023 (being the determination date of FY2022-2023). The consideration payable by the Vendors pursuant to the sale and purchase of approximately 19.7% of the entire issued share capital of the Target Company shall be the aggregate of (i) HK\$23,387,896 (the “**Remaining Option Consideration**”), which represents approximately 56.4% of the total consideration of HK\$41,475,000 for the Acquisition of 35% of the entire issued share capital of the Target Company by the Company under the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement); and (ii) the premium in the amount equals to the Remaining Option Consideration multiplied by the 10% annualised rate of return.

If the Company exercises the Remaining Put Option, the completion of the sale and purchase of such interest (the “**Remaining Option Completion**”) shall take place no later than twenty one (21) business days after the receipt of the exercise notice from the Company by the Vendors, unless the exercise of the Remaining Put Option by the Company and the transactions contemplated thereunder are subject to the parties having complied with all applicable requirements under the Listing Rules, 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 (the “**Remaining Option Condition**”), in which case the Remaining Option Completion shall take place within ten (10) business days from the fulfilment of the Remaining Option Condition (or such other date as the parties may agree in writing).

Taking into account the considerations mentioned under the section headed “Reasons for and Benefits of the Proposed Partial Exercise of Put Option and the Extension of the Remaining Put Option”, the Directors are of the view that the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option is fair and reasonable and in the interests of the Shareholders as a whole.

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 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 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 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 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.

INFORMATION ON THE VENDORS AND VENDOR GUARANTORS

Massive Dynamic and Mr. Shao Chao

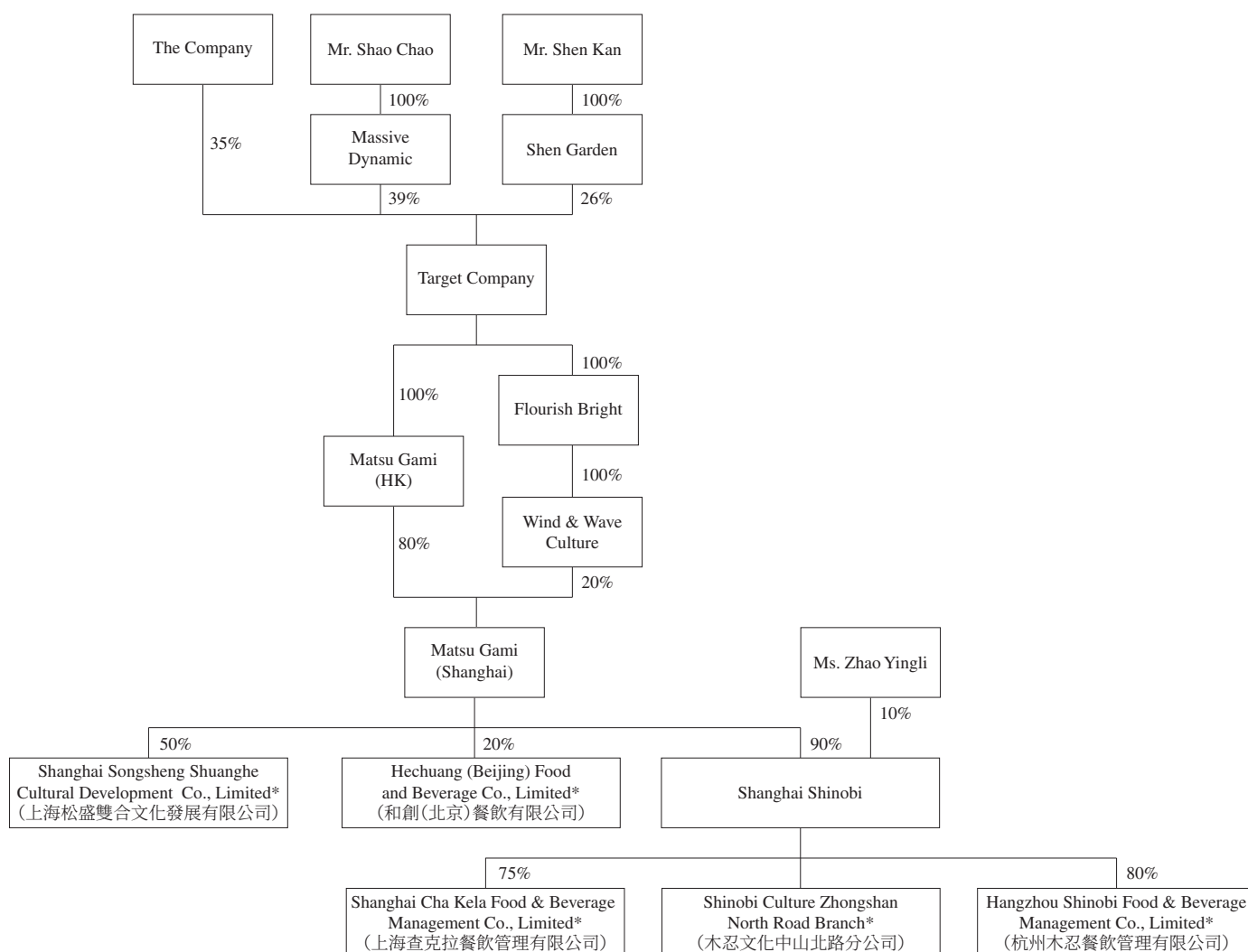
Massive Dynamic is a company incorporated in the British Virgin Islands with limited liability. Based on the information provided by the Vendors, Massive Dynamic is an investment holding company with its entire issued share capital legally and beneficially owned by Mr. Shao Chao. Mr. Shao Chao is a PRC citizen and has over 8 years of experience in operating and managing intellectual properties-related businesses in the PRC.

Shen Garden and Mr. Shen Kan

Shen Garden is a company incorporated in the British Virgin Islands with limited liability. Based on the information provided by the Vendors, Shen Garden is an investment holding company with its entire issued share capital legally and beneficially owned by Mr. Shen Kan. Mr. Shen Kan is a PRC citizen and has over 8 years of experience in operating and managing intellectual properties-related businesses in the PRC.

INFORMATION OF THE TARGET GROUP

As at the date of this Announcement, the shareholding structure of the Target Group is as follows:



The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company is owned as to 35% by the Company, 39% by Massive Dynamic and 26% by Shen Garden.

Matsu Gami (HK)

Matsu Gami (HK) is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, Matsu Gami (HK) is wholly owned by the Target Company.

Flourish Bright

Flourish Bright is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, Flourish Bright is wholly owned by the Target Company.

Wind & Wave Culture

Wind & Wave Culture is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, Wind & Wave Culture is wholly owned by Flourish Bright.

Matsu Gami (Shanghai)

Matsu Gami (Shanghai) is a limited liability company established in the PRC and is principally engaged in the business of, inter alia, the provision of food and beverage corporate management services and IP-related consultancy services. As at the date of this announcement, Matsu Gami (Shanghai) is owned as to 80% by Matsu Gami (HK) and as to 20% by Wind & Wave Culture.

Shanghai Shinobi

Shanghai Shinobi is a limited liability company established in the PRC and is principally engaged in the business of, inter alia, the provision of food and beverage catering services and IP-related consultancy services. As at the date of this announcement, Shanghai Shinobi is owned as to 90% by Matsu Gami (Shanghai) and as to 10% by Ms. Zhao Yingli.

Shanghai Songsheng

Shanghai Songsheng is a limited liability company established in the PRC and is principally engaged in the business of, inter alia, the provision of food and beverage catering services. As at the date of this announcement, Shanghai Songsheng is owned as to 50% by Matsu Gami (Shanghai) and as to 50% by Shaoxing Shangyu Yi He Guquan Touzi Co., Limited*.

Shanghai Cha Kela

Shanghai Cha Kela is a limited liability company established in the PRC but has not commenced any operations since its establishment. As at the date of this announcement, Shanghai Cha Kela is owned as to 75% by Shanghai Shinobi, as to 20% by Ms. Song Peili and as to 5% by Shanghai Nai Er Ke Yanyi Co., Limited*.

Hangzhou Shinobi

Hangzhou Shinobi is a limited liability company established in the PRC and is principally engaged in the business of, inter alia, the provision of food and beverage catering services. As at the date of this announcement, Hangzhou Shinobi is owned as to approximately 80% by Shanghai Shinobi, and as to approximately 20% by Zhejiang Nuoyi Culture Co., Limited*.

Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the equity owners of the members of the Target Group and their ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the audited financial information of the Target Group for the two years ended 31 March 2022:

	For the year ended 31 March 2022 <i>HK\$'000</i> <i>Approximately</i> <i>(audited)</i>	For the year ended 31 March 2021 <i>HK\$'000</i> <i>Approximately</i> <i>(audited)</i>
Revenue	28,929	37,948
Profit/(Loss) before tax	(3,144)	11,313
Profit/(Loss) after tax	<u>(3,708)</u>	<u>11,313</u>
	As at 31 March 2022 <i>HK\$'000</i> <i>Approximately</i> <i>(audited)</i>	As at 31 March 2021 <i>HK\$'000</i> <i>Approximately</i> <i>(audited)</i>
Net asset value	<u>9,331</u>	<u>12,426</u>

FINANCIAL EFFECTS OF THE EXERCISE OF PUT OPTION

Upon the completion of the sale of approximately 15.3% of the entire issued share capital in the Target Company, the Company will continue to have approximately 19.7% share interest in the Target Company. Assuming the partial exercise of the Put Option has been completed and based on the best knowledge, information and belief of the Directors, it is expected that the estimated gain by the Company on the Partial Option Completion amounts to approximately HK\$3,592,643.95, being the premium received pursuant to the Company's partial exercise of the Put Option.

The proceeds from the partial exercise of the Put Option is expected to be used as general working capital of the Group, including staff remuneration and costs.

REASONS FOR AND BENEFITS OF THE PROPOSED PARTIAL EXERCISE OF PUT OPTION AND EXTENSION OF THE REMAINING PUT OPTION

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 overall 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. The Acquisition was completed on 4 September 2020.

As mentioned above, the Vendors granted the Company the Call Option under the 2nd Supplemental Agreement conferring the Company the right to require the Vendors to sell 16% of the issued share capital of the Target Company during the Exercise Periods if the Target Group has achieved the Guaranteed Profits and obtained at least one Guaranteed IP Right for the respective Guaranteed Periods; the Vendors also granted the Company 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.

As disclosed in the announcements of the Company dated 10 August 2021 and 10 September 2021, the Target Group has fulfilled the Guaranteed Profit and the Guaranteed IP Rights for the 2020-2021 Guaranteed Period. Although the condition allowing the Company to have the discretion to exercise the Call Option during the 1st Exercise Period has been fulfilled, the Company however adopted a prudent approach and decided not to exercise the Call Option during such period.

However, with the prolonged COVID-19 pandemic and the unexpected coronavirus waves during the 2021-2022 Guaranteed Period, businesses and business partners remain pessimistic to the business conditions in China and around the world and became more cautious in making investments and expanding their business activities amid the uncertainties due to the COVID-19 pandemic situation. For instance, in order to prevent the spread of the COVID-19 during the resurgence of confirmed COVID-19 cases in China, the PRC government imposed strict preventive and crowd control measures in certain areas of China (including Beijing and Shanghai) which led to lockdowns and temporary closure of all offices, restaurants and retail stores in early 2022 whereby all businesses in China had taken a serious hit. In face of such challenging business environment, the Target Group incurred Actual Loss of approximately HK\$3,708,000 during the 2021-2022 Guaranteed Period despite the efforts of the Vendors. Given the condition of the Call Option was not being fulfilled and the unsatisfactory performance of the Target Group during the 2021-2022 Guaranteed Period, the Call Option has therefore 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).

With the Target Group failed to achieve the Guaranteed Profit for the 2021-2022 Guaranteed Period, in order to work out a just mechanism to protect the Company's interest and maintain sustainable development, the Company re-entered into negotiations with the Vendors having considered China's economic outlook, with a particular focus in the IP Rights-related derivative market which the Target Group operates in. According to the statistics of the National Bureau of Statistics, the per capita disposable income of residents in China reached RMB35,128 in 2021, which represents an increase of approximately 9.1% of that in the previous year. Such increase represents a growth rate which was approximately 14.3% higher than that in the pre-COVID situation in 2019. Further, the retail sales of IP authorised goods in China has been experiencing a year-on-year increase of 24.2% and reached approximately RMB137.4 billion in 2021 according to the China Licensing Industry Report 2021* (2021 中國品牌授權行業發展白皮書) issued by the China Toy and Juvenile Products Association* (中國玩具和嬰童用品協會), meaning that the retail sales of such goods surpassed that of pre-COVID annual sales of approximately RMB85.6 billion in 2018. The IP authorisation fees in China also amount to approximately RMB5.32 billion in 2021, representing a year-on-year increase of 28.2%. Therefore, the Company remains optimistic in the business development and recovery potential of the Target Group and considers that the Target Group still represents a good opportunity for the Group's business in light of the slowing down of the overall growth in overall foundation industry in Hong Kong given the positive outlook of the IP Rights-related derivative market.

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 China as illustrated above; 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 after observing for one additional year, the Company entered into negotiations with the Vendors in relation to the Put Option to attain a more fair and reasonable proposal to both parties while protecting the interests of the Company and its Shareholders as a whole.

After arm's length negotiations between the Company and the Vendors, the Company proposed to enter into the 3rd Supplemental Agreement 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 consideration of HK\$21,678,747.95 and to extend the right for the Company to exercise, at its discretion, the remaining Put Option for one more year to ensure the Target Group would be able to attain Actual Profit of at least HK\$7,400,000 as guaranteed by the Vendors. Pursuant to the 3rd Supplemental Agreement, the Vendors shall utilise the amount in the escrow account maintained by the Escrow Agent to satisfy the consideration at completion.

Taking into account the aforementioned considerations and that the reduced shareholding would allow the Company to recover part 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 Outbreak, and considered that the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option 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 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 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 3rd 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. 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 September 2022.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below unless the context requires otherwise:

“1st Supplemental Agreement”	the supplemental agreement dated 9 June 2020 entered into between the Company, the Vendors and the Vendor Guarantors extending the long stop date for fulfilling the condition precedents of the acquisition of the 51% of the entire issued share capital of the Target Company
“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
“Acquisition”	the acquisition of the 35% of the entire issued share capital of the Target Company by the Company from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), which was completed on 4 September 2020
“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“COVID-19”	Novel coronavirus pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure

“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 and the transactions contemplated thereunder
“Flourish Bright”	Flourish Bright International Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Target Company
“Group”	the Company and its subsidiaries from time to time
“Hangzhaou Shinobi”	杭州木忍餐飲管理有限公司(Hangzhou Shinobi Food & Beverage Management Co., Limited*), a limited liability company established in the PRC and is owned as to approximately 80% by Shanghai Shinobi, and as to approximately 20% by Zhejiang Nuoyi Culture Co., Limited*
“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)
“Matsu Gami (HK)”	Matsu Gami Culture Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company
“Matsu Gami (Shanghai)”	上海松神餐飲管理有限公司 (Shanghai Matsu Gami Food & Beverage Management Co., Limited*), a limited liability company established in PRC and is owned by Matsu Gami (HK) and Wind & Wave Culture
“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
“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
“Shanghai Cha Kela”	上海查克拉餐飲管理有限公司(Shanghai Cha Kela Food & Beverage Management Co., Limited*), a limited liability company established in the PRC and is owned as to 75% by Shanghai Shinobi, as to 20% by Song Peili and as to 5% by Shanghai Nai Er Ke Yanyi Co., Limited*
“Shanghai Shinobi”	上海木忍文化發展有限公司 (Shanghai Shinobi Cultural Development Co., Limited*), a limited liability company established in PRC and is owned by Matsu Gami (Shanghai) and Ms. Zhao Yingli (趙英莉)
“Shanghai Songsheng”	上海松盛雙合文化發展有限公司(Shanghai Songsheng Shuanghe Cultural Development Co., Limited*), a limited liability company established in the PRC and is owned as to 50% by Matsu Gami (Shanghai) and as to 50% by Shaoxing Shangyu Yi He Guquan Touzi Co., Limited
“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 as to 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
“Wind & Wave Culture”	Wind and Wave Culture Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by Flourish Bright
“%”	per cent

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

Hong Kong, 29 August 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.

* *For identification purposes.*