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If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wan Kei Group Holdings Limited (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

MAJOR TRANSACTION IN RELATION TO THE PARTIAL EXERCISE OF PUT OPTION AND EXTENSION OF THE REMAINING PUT OPTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 7 to 31 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Wednesday, 1 March 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e 11:00 a.m. on Monday, 27 February 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof (as the case may be), should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- (1) compulsory body temperature checks;
- (2) compulsory wearing of a surgical face mask for each attendee; and
- (3) no distribution of souvenirs and no drinks and no refreshment.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

TABLE OF CONTENTS

	<i>Page</i>
Precautionary Measures for the EGM	1
Definitions	2
Letter from the Board	7
Appendix I – Financial Information of the Group	I-1
Appendix II – General Information	II-1
Notice of Extraordinary General Meeting	EGM-1

PRECAUTIONARY MEASURES FOR THE EGM

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the spreading of the Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to safeguard the health and safety of attending shareholders, staff and stakeholders from the risk of infection:

- (1) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at the entrance of the meeting venue. Any person with a body temperature of 37.4 degrees Celsius or above will be denied entry into the meeting venue or be required to leave the meeting venue.
- (2) Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a safe distance from other attendees and those not wearing face masks may be denied entry to the meeting venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (3) No drinks, no refreshment or no souvenirs will be served.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the form of proxy.

DEFINITIONS

The following expressions in this circular have the meanings set out below unless the content 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
“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 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
“Acquisition Announcements”	collectively, (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

DEFINITIONS

“Announcements”	the announcements made by the Company dated 29 August 2022 and 25 November 2022 regarding, among other things, the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option
“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, the 4th Supplemental Agreement and the transactions contemplated thereunder
“Escrow Agreement”	the escrow agreement dated 4 September 2020 entered into between the Company, the Vendors and the Escrow Agent (as amended and supplemented by a supplemental escrow agreement dated 22 June 2021 entered into between the Company, the Vendors and the Escrow Agent), pursuant to which the Escrow Agent has been appointed by the parties to hold and disburse the escrow amount pursuant to the terms and conditions contained therein

DEFINITIONS

“Escrow Agent”	DL Securities (HK) Limited, a licenced corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the escrow agent appointed by the Company and the Vendors under the Escrow Agreement
“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
“Hangzhou 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 浙江諾壹文化有限公司 (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
“Latest Practicable Date”	6 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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

* for identification purpose only

DEFINITIONS

“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 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
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“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 Ms. Song Peili (宋培麗女士) and as to 5% by 上海奈爾可演藝有限公司 (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)

* for identification purpose only

DEFINITIONS

“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 紹興上虞貽赫股權投資有限公司 (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
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“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

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LETTER FROM THE BOARD



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)

Executive directors:

Mr. Yan Shuai (*Chairman of the Board*)

Mr. Zhu Jiayu

Non-executive directors:

Mr. Zhang Zhenyi

Mr. Chui Kwong Kau

Independent non-executive directors:

Mr. Lo Wai Kei Roy

Mr. Leung Ka Fai Nelson

Mr. Eric Todd

Registered Office:

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Head Office and Principal Place of Business:

Unit 7, 16th Floor,

Emperor Group Centre,

No. 288 Hennessy Road,

Wanchai, Hong Kong

8 February 2023

To the Shareholders,

**MAJOR TRANSACTION IN RELATION
TO THE PARTIAL EXERCISE OF
PUT OPTION AND EXTENSION OF THE REMAINING PUT OPTION**

INTRODUCTION

Reference are made to the Acquisition Announcements and the Announcements of the Company dated 29 August 2022 and 25 November 2022 in relation to the Partial Exercise of Put Option and Extension of the Remaining Put Option. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Acquisition Announcements and the Announcements.

LETTER FROM THE BOARD

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.

Save as to the occurrence of any force majeure events as agreed between the parties, if the Actual Profit is less than the Guaranteed Profit during a Guaranteed Period, the Vendors and the Vendor Guarantors shall compensate the Company in the amount calculated (the “**Compensation Amount**”) based on, *inter alia*, the following if the Target Group recorded Actual Loss during a Guaranteed Period:

$$\text{Compensation Amount} = \text{Guaranteed Profit} + \text{Actual Loss}$$

As an alternative remedy to the Company, 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, 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.

LETTER FROM THE BOARD

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).

In addition, 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 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 as the Target Group recorded a loss of approximately HK\$3,708,000 for the 2021-2022 Guaranteed Period. 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 pandemic, 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. On 25 November 2022 (after trading hours), the Company further entered into the 4th Supplemental Agreement with the Vendors and Vendor Guarantors to further amend terms regarding the Proposed Partial Exercise of Put Option and Extension of Remaining Put Option.

The purpose of this circular is to provide you with, 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.

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

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

Date

29 August 2022 (after trading hours)

LETTER FROM THE BOARD

Parties

- (1) the Company;
- (2) the Vendors (i.e. Massive Dynamic and Shen Garden); and
- (3) 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^(Note) (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.

Note: Reference is made to the announcement of the Company dated 25 June 2021 in relation to the provision of financial assistance by the Company through the subscription of two promissory notes issued by Moon Ace Limited with the amount of HK\$21,475,000 maintained in the Escrow Account in November 2020. In June 2021, upon receipt of the redemption notices, Moon Ace Limited repaid the total amount of HK\$21,679,747.95 (being to the aggregate outstanding principal amount and the accrued interest up to 20 May 2021) which was deposited in full into the Escrow Account. There was no further movement of amount of cash maintained in the Escrow Account since then.

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 of approximately HK\$3,593,000 equals to the Partial Option Consideration multiplied by the 10% annualised rate of return for two years. Total consideration payable by the Vendors upon partial exercise of Put Option by the Company were determined based on the following formula:

Partial Option Consideration + (Partial Option Consideration x 10% x 725 days / 365 days),

LETTER FROM THE BOARD

whereas 725 days represent the exact number of days between the grant of Put Option and the day on which the Company exercised the Partial Put Option (i.e. the date of the 3rd Supplemental Agreement).

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 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 in the total amount of approximately HK\$30,404,000, being 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 of approximately HK\$7,016,000 which equals to the Remaining Option Consideration multiplied by the 10% annualised rate of return for three years, assuming that the Company would exercise the Remaining Put Options after 3 years (but subject to the exact date of exercise).

Total consideration payable by the Vendors upon exercise of the Remaining Put Option are determined based on the following formula:

Remaining Option Consideration + (Remaining Option Consideration x 10% x 3 years)

LETTER FROM THE BOARD

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).

In order to ensure that the Vendors and/or the Vendor Guarantors have sufficient resources to settle the consideration for the Remaining Put Option in the event that the Target Group fails to meet the minimum guaranteed profit of HK\$7,400,000, the Company has carried out (i) independent due diligence exercises to examine the financial resources of the Vendor Guarantors including obtaining the relevant certificates of real estate ownership regarding properties and statement of stock accounts held by the Vendor Guarantors; (ii) independent research based on the publicly available information the market price/value of such financial resources; (iii) independent litigation searches against the Vendor Guarantors in the courts of Hong Kong and the PRC; and (iv) public search based on records made available by the Supreme People’s Court of China pursuant to The Civil Procedure Law of the People’s Republic of China* (《中華人民共和國民事訴訟法》) and the Notice of the Supreme People’s Court on Conscientiously Implementing the Several Provisions on Announcement of the List of Dishonest Persons Subject to Enforcement* (《關於公佈失信被執行人名單信息的若干規定》). Based on the information obtained and independently verified by the Company, the total market value of the financial resources of the Vendor Guarantors is estimated to be much higher than the Remaining Put Consideration and therefore the Company is satisfied that the Vendors and/or the Vendor Guarantors have adequate financial capacity or resources to fulfil the Vendors’ obligations regarding the Remaining Put Consideration in the event that the Target Group fails to meet the minimum guaranteed profit of HK\$7,400,000.

It is the current intention of the Company that it shall exercise the Remaining Put Option in the event that the Actual Profit of HK\$7,400,000 for FY2022-2023 is not achieved by the Target Group and that the Company does not foresee any circumstances which will deter it from doing so.

* for identification purpose only

LETTER FROM THE BOARD

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

Date

25 November 2022 (after trading hours)

Parties

- (1) the Company;
- (2) the Vendors (i.e. Massive Dynamic and Shen Garden); and
- (3) the Vendor Guarantors (i.e. Mr. Shao Chao and Mr. Shen Kan).

Pursuant to the 4th Supplemental Agreement, the parties conditionally agreed that:

- (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:

$$\text{FY 2022-2023 Compensation Amount} = \text{HK\$13,000,000} - \text{Actual Profit}$$

- (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 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).

LETTER FROM THE BOARD

Basis for determining the minimum guaranteed profit of HK\$7.4 million for FY2022-2023

When determining the minimum guaranteed profit of HK\$7,400,000 for FY2022-2023, the Company took into account (A) the historical operating data and relevant supporting documents provided by the Target Group and (B) the latest business and financial information of the Target Group available to the Company, including:

- (i) historical revenue generated from the directly-operated stores, with the expectation that the preventive and crowd control measures in areas where the directly-operated stores operated were fully lifted by November 2022 based on the then-latest development of the COVID-19 pandemic situation in the PRC;
- (ii) historical authorisation fee from franchise stores, the current signing schedule with the franchisees and historical consumption level of raw materials by existing stores and profit margin from the sales, taking into account that additional raw materials would be used for inventory and employee training purposes for the initial two to three months upon opening of the franchise stores;
- (iii) historical consultancy fees generated from the IP Business Operators, the agreed percentage of revenue as consultancy fees pursuant to the agreements entered into between the Target Group and the relevant IP Business Operator(s), and historical consultancy fees as agreed pursuant to the agreements entered into between the franchisees and the Target Group;
- (iv) the number of seats, historical data of related store(s) and the percentage of share owned by the Target Group of the jointly-operated store(s);
- (v) historical cost and expenses of the directly-operated stores and related store(s), the terms of the tenancy agreements entered into by the Target Group, historical staff and labour costs and the number of employees required for the directly-operated stores and related store(s) and historical cost of raw materials provided to the franchisee stores;
- (vi) the amortisation of the IP authorisation payment to the owner(s) of the relevant IP Rights (the “**IP Owner(s)**”) based on the terms of the authorisation contract entered into with the IP Owner(s); and
- (vii) the five-year average of the rate of consumer price index from the National Bureau of Statistics which forms the basis of the expected inflation rate of 2% per year for the next five years.

LETTER FROM THE BOARD

Based on the latest unaudited management account of the Target Group as at 31 December 2022 provided by the Target Company, the net profit of the Target Group for the 9 months ended 31 December 2022 was approximately RMB4.6 million (as adjusted and subject to review by the Company).

In light of the above, the Directors considered that it is fair and reasonable to set the minimum profit guarantee to HK\$7.4 million.

Basis for determining the guaranteed profit of HK\$13 million for FY2022-2023

With the Consideration of the Acquisition is determined based on the market value of the Target Group based on the valuation conducted by the 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**”, details of which were disclosed in the Acquisition Announcements), the Partial Option Consideration and the Remaining Option Consideration were also determined based on the 8/2019 Valuation on a pro-rata basis according to the percentage of shares of the Target Company involved.

In order to sufficiently compensate the Company such difference in the event that the Target Group attains the guaranteed profit of HK\$7.4 million for FY2022-2023, the Company set the guaranteed profit of HK\$13 million as based on the original Guaranteed Profit of HK\$20 million but disregarding the four-months lockdown period that is out of the control of the Vendors and the Vendor Guarantors, and could not be expected at the time for determining the 2019 Five-Year Forecast based on the then-available information and the unprecedented nature of the COVID-19 pandemic. Against such background, the Company considers that it is fair and reasonable to set the guaranteed profit to HK\$13 million based on the Guaranteed Profit of HK\$20 million for FY2021-2022 (which the Target Group previously failed to attain) and adjusted by the loss of profit of the Target Group during the four-month lockdown period as follows:

$$\text{HK\$20 million} \quad \times \quad \frac{12 \text{ months} - 4\text{-months lockdown period}}{12 \text{ months}}$$

The original Guaranteed Profit of at least HK\$20 million in turn was based on the projected profit for the relevant period in the five-year financial forecast (the “**2019 Five-Year Forecast**”) which the 8/2019 Valuation was based on.

LETTER FROM THE BOARD

In the course of determining the guaranteed profit of HK\$13 million for FY2022-2023, the Company revisited the 2019 Five-Year Forecast and the relevant supporting information including (i) the number of seats, average per capita consumption, the average turnover rate and the number of operating days of the directly-operated stores and jointly-operated stores; (ii) the percentage of share of the jointly-operated stores owned by the Target Group; (iii) the authorisation fee from jointly-operated stores and franchise stores and the number of jointly-operated stores and franchise stores opened; (iii) historical consumption level of raw materials by existing stores and the profit margin from the sales; (iv) historical data on rent, cost of good sold in relation to catering services, depreciation of fixed assets and renovation costs, staff and labour costs of the directly-operated stores; (v) amortisation of IP authorisation payment to the IP Owner based on the authorisation contract entered into with the IP Owner; and (vi) downward adjustments made to the expected monthly revenue generated having taken into account the impact of the COVID-19 pandemic based on the then-available information.

In addition, the Company also considered the expected recoverability of the IP-related industry based on the historical increase in various indicators including per capita disposable income of residents in China, retail sales of IP authorised goods in China and IP authorisation fees since the COVID-19 pandemic.

In the event that the Target Group fails to attain Actual Profit of HK\$13 million for FY2022-2023, the Company would be compensated with the FY2022-2023 Compensation Amount. In the worst case scenario where the Target Group fails to attain Actual Profit of HK\$7.4 million for FY2022-2023, the Company would be fully compensated with the Remaining Option Consideration.

In light of the above, the Directors considered that it is fair and reasonable to set the guaranteed profit to HK\$13 million with the FY2022-2023 Compensation Amount pursuant to the 3rd Supplemental Agreement and the 4th Supplemental Agreement.

LETTER FROM THE BOARD

Taking into account (i) 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”; (ii) the Partial Option Consideration and the Remaining Option Consideration being pro-rata to the consideration of the Acquisition, and such consideration being determined based on the valuation of the Target Group in the amount of approximately HK\$151,000,000 as at 31 August 2019, which was significantly higher than that as at 31 March 2022 based on a subsequent valuation conducted by the Independent Valuer in assessing the value-in-use of the Target Company as a cash generating unit; (iii) the 10% premium representing the interest compensation as the opportunity cost of the Partial Option Consideration and the Remaining Option Consideration, which falls within the range of 8% to 15% as normally accepted in the PRC (which is in line with the understanding of the Directors) and the range of interest rate of 7.5% to 12% p.a. for loans granted by the Company through its money-lending business for the past financial year; (iv) the FY2022-2023 Compensation Amount providing additional security to the Company in the event that the Target Group could not attain the Actual Profit of HK\$13,000,000 but could attain the Actual Profit of HK\$7,400,000 for FY2022-2023; (v) the minimum guaranteed profit of HK\$7,400,000 for FY2022-2023 being determined based on the historical data and performance of the Target Group (details of which are disclosed under the section headed “Basis for determining the minimum guaranteed profit of HK\$7.4 million for FY2022-2023” of this circular); and (vi) the guaranteed profit of HK\$13,000,000 for FY2022-2023 being determined based on the Guaranteed Profit of HK\$20,000,000 for FY2021-2022 Guaranteed Period (which the Target Group previously failed to attain) (details of which are disclosed under the section headed “Basis for determining the guaranteed profit of HK\$13 million for FY 2022-2023” of this circular) and adjusted by the loss of profit of the Target Group during the four months lockdown period, the Directors are of the view that the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option (including the minimum guaranteed profit of HK\$7,400,000 and the guaranteed profit of HK\$13,000,000) 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 (as amended and supplemented by the 4th Supplemental Agreement), and the 4th Supplemental Agreement and the transactions contemplated thereunder, if applicable; and

LETTER FROM THE BOARD

- (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.

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.

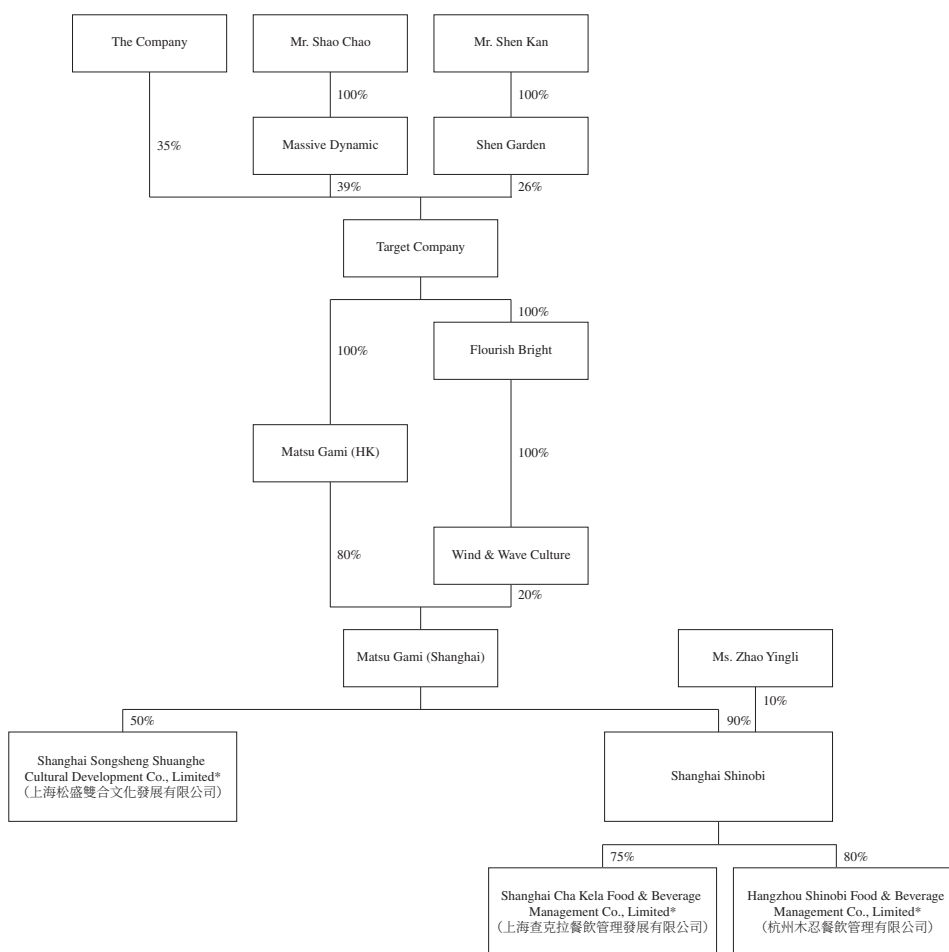
LETTER FROM THE BOARD

Guarantee by the Vendor Guarantors

The Vendor Guarantors unconditionally and irrevocably, jointly and severally guarantee and warrant to the Company the due and timely observance and performance by the Vendors of all commitments and obligations that ought to be observed and performed under the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), and covenant to indemnify the Company in full against all losses and damages as a result of any failure of the Vendors to perform or comply with their obligations under the Sale and Purchase Agreement (as amended and supplemented by the 1st Supplemental Agreement and the 2nd Supplemental Agreement).

INFORMATION OF THE TARGET GROUP

As at the Latest Practicable Date, the shareholding structure of the Target Group is as follows:



* for identification purpose only

LETTER FROM THE BOARD

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, Shanghai Shinobi is owned as to 90% by Matsu Gami (Shanghai) and as to 10% by Ms. Zhao Yingli.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

Business operated by the Target Group

The Target Group principally operates in the IP Rights related-derivative market in the PRC. So far as the underlying authorisation to the use of IP Rights allows, the IP Rights related-derivative market covers a wide range of businesses that can be provided by licensee being authorised to use the IP Rights, which ranges from producing and selling IP Rights-related products, operating IP Rights-themed stores and restaurants to developing movies and television drama series based on the IP Rights.

* for identification purpose only

LETTER FROM THE BOARD

In particular, as mentioned above, the Target Group is involved in the provision of the food and beverage catering services, for which the Target Group has been operating a number of restaurants infused with certain IP rights in relation to animation and gaming being granted to the Target Group. The Target Group operates its food and beverage catering business through stores directly operated by the Target Group, stores jointly-operated by the Target Group and strategic cooperative partners and franchised stores in various cities in the PRC. For directly-operated stores, the Target Group is responsible for the investment and management of the restaurants where the Target Group earns the revenue generated directly from the provision of food and beverage catering services in these stores; for store jointly operated by the Target Group and strategic cooperative partners, the Target Group generates revenue from IP authorisation fees to be paid by the cooperative partners as well as sharing of profits of the jointly operated stores; whereas for franchised stores, the franchisees will be responsible for the operation of the restaurants where the Target Group generates revenue from the IP authorisation fees to be paid by the franchisees.

Furthermore, the Target Group provides IP-related consultancy services to franchisees and other businesses that are interested in operating IP Rights-related operations (collectively, the “**IP Business Operators**”). In providing consultancy services, the Target Group will provide to these IP Business Operators consultancy and advisory services relating to the overall business environment and operation in China’s IP Rights-related derivative market, including but not limited to preparation of business opening, site selection and evaluation, store design, negotiation with suppliers, staff training, proposing marketing strategies and provide operation manuals and training materials for reference etc. In return, the Target Group will generate consultancy fees to be paid by the IP Business Operators from the provision of IP-related consultancy services. In addition, the Target Group would, upon request from the IP Business Operators, meet up and/or communicate with the IP Business Operators to reply to the specific enquiries relating to the business operations and plans of the IP Rights-related business in which they are or intend to operate in.

LETTER FROM THE BOARD

Set out below is a summary table of the IP Rights held by the Target Group as at the Latest Practicable Date.

IP Rights	Permitted Usage	Licensor	Date of Acquisition	Validity Period
1 A well-known IP which originated from Japanese manga of the fantasy and action manga genre. It is well-known in the anime community as one of the “Big Three” of the shonen anime genre, a genre of Japanese comics and amines aimed primarily at young male audience.	Use of IP rights including brand, image and trademark rights in relation to the animation in themed restaurants	A PRC subsidiary of a Japanese-based company which is principally engaged in, <i>inter alia</i> , the production of theatrical and non-theatrical motion pictures and video tapes. The licensor serves as the management company in the PRC to authorise internationally renowned animation brands in Japan for operation in the PRC.	17 May 2018	17 May 2018 to 31 December 2027
2 A well-known IP from from long-running Japanese manga and anime series of the comedy genre.	Use of IP rights including name, portrait and character in themed restaurants and production and sale of peripheral products in relation to the animation	A service provider that is principally engaged in, <i>inter alia</i> , brand licensing business and focuses on development and management of film and animation IPs. It is the sole general agency for brand licensing business in the PRC for many well-known IPs.	1 March 2021	1 March 2021 to 31 July 2023
3 An internationally renowned IP, which originated from a multiplayer online role-playing and action game developed and published by a famous Japanese-based video games developer (the “ Game Developer ”)	Use of IP rights for operation of themed cafe in the PRC	A PRC subsidiary of the Japanese-based Game Developer, which publishes, distributes and licenses entertainment content under its internationally renowned brands. The licensor focuses on digital interactive entertainment products, including the development, operation, and marketing of interactive entertainment software, as well as the localisation of the Game Developer’s products in the PRC.	25 December 2021	25 December 2021 to 24 December 2026
4 An IP right related to the Game Developer for a themed cafe ^(Note)	Use of IP rights in relation to trademarks of the Game Developer for operation of the related themed cafe	The Game Developer, details of which are described above.	31 August 2020	31 August 2020 to 31 August 2022

Note: The Target Group currently does not utilise this IP Right in its course of business; the Target Group has been focusing on providing IP-related consultancy services to the relevant licensor instead regarding this IP Right.

To the best knowledge of the Company, all of the aforementioned licensors of the IP Rights are independent of the Company and its connected persons.

LETTER FROM THE BOARD

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 2021 HK\$'000 Approximately (audited)	For the year ended 31 March 2022 HK\$'000 Approximately (audited)	For the five months ended 31 August 2022 HK\$'000 Approximately (unaudited)	For the nine months ended 31 December 2022 ^(Note) HK\$'000 Approximately (unaudited)
Revenue	37,948	28,929	8,796	16,231
Profit/(Loss) before tax	11,313	(3,144)	829	5,220
Profit/(Loss) after tax	<u>11,313</u>	<u>(3,708)</u>	<u>952</u>	<u>5,250</u>
	As at 31 March 2021 HK\$'000 Approximately (audited)	As at 31 March 2022 HK\$'000 Approximately (audited)	For the five months ended 31 August 2022 HK\$'000 Approximately (unaudited)	For the nine months ended 31 December 2022 ^(Note) HK\$'000 Approximately (unaudited)
Net asset value	<u>12,426</u>	<u>9,331</u>	<u>9,301</u>	<u>13,633</u>

Note: Based on the unaudited management account made available by the Target Group to the Company, as adjusted and are subject to the Company's review.

LETTER FROM THE BOARD

For the year ended 31 March 2022, out of the total revenue of the Target Group of approximately HK\$28,929,000 (2021: HK\$37,948,000), the revenue attributable to the IP Rights held by the Target Group amounted to approximately HK\$23,751,000 (2021: approximately HK\$35,440,000).

The decrease in revenue and profit from the year ended 31 March 2021 to the year ended 31 March 2022 was mainly attributable to the decrease in revenue generated from the stores directly operated by the Target Group and the decrease in number of new franchisees joining the business operation as a result of the on-going COVID-19 pandemic. With the COVID-19 outbreak continued to subsist during 2022, the retail customers in general inclined or opt to cut back on spending from lock downs, travel restrictions and income uncertainty; while investors and business partners remained prudent when investing new money to businesses amid such unfavourable business environment amid the COVID-19 outbreak.

FINANCIAL EFFECTS OF THE PARTIAL 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.

Use of Proceeds

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.

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

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%. Currently, as mentioned in the paragraph headed "Business operated by the Target Group" above, the Target Group has been incorporating the IP Rights licensed to it (which are related to popular anime and games) into its food and beverage catering business as well as the IP-related consultancy services for the IP Business Operators (including the franchisees). With the Target Group principally engaged in the business operation in the IP Rights-related derivative market and that the overall food and beverage catering business in the PRC (in particular those cities that were subject to lockdown in early to mid-2022) is expected to be benefited from the "revenge spending" following the lift of lockdown restrictions, 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.

* for identification purpose only

LETTER FROM THE BOARD

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; (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; and (f) 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 Remaining Option Consideration together with approximately HK\$7,016,000 premium (if the Target Company failed to attain the Actual Profit of HK\$7,400,000 for FY2022-2023), 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 and the 4th Supplemental Agreement to (i) 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; (ii) 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; and (iii) to compensate the Company with the FY2022-2023 Compensation Amount 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. Pursuant to the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), the Vendors shall utilise the amount in the escrow account maintained by the Escrow Agent to satisfy the consideration at completion. The proportion of equity interest (i.e. 15.3%) to be disposed by the Company pursuant to the partial exercise of the Put Option was determined based on the ratio of amount of funds maintained in the escrow account by the Escrow Agent (as the Partial Option Consideration plus the 10% premium), which represented a secured source of funds to be paid upon completion of the partial exercise of the Put Option, to the total purchase price paid by the Company to purchase the 35% interest under the Acquisition.

LETTER FROM THE BOARD

Taking into account the historical data and the performance of the Target Group (details of which are disclosed under the section headed “Basis for determining the minimum guaranteed profit of HK\$7.4 million for FY2022-2023” of this circular) and the recovery and positive outlook of the IP-related derivative market, in view of the Company’s aim to diversify its business to the IP-Rights derivative market, the Company considers that it represents the minimum target which would need to be achieved by the Target Group during FY2022-2023 as the Target Group would still provide a substantial income for the Group as based on such expected financial and business performance of the Target Group. Therefore, in addition to taking into account the recovery and positive outlook of the IP-related derivative market, the Company considers that it is fair and reasonable to set the minimum guaranteed profit for FY2022-2023 to HK\$7,400,000 in light of above.

In order to provide additional security to the Group, the Group took into account the 2019 Five-Year Forecast which the 8/2019 Valuation (and in turn the basis of the Consideration of the Acquisition) was based on but also deducting the loss of profit of the Target Group during the four-months lockdown period in early to mid-2022 for certain cities in China which severely affected the Target Group’s business operation during FY2022-2023 (details of which are disclosed under the section headed “Basis for determining the guaranteed profit of HK\$13 million for FY 2022-2023” of this circular). 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 19.7% on the same basis.

Taking into account the aforementioned considerations and that the reduced shareholding 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 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.

The Company currently does not have any intention or plan to purchase additional shares of the Target Group in the future.

LETTER FROM THE BOARD

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.

THE EGM

The EGM will be held at 11:00 a.m. on Wednesday, 1 March 2023 at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong to consider and, if thought fit, to approve, among other things, the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), the 4th Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option). A notice convening the EGM to be held on Wednesday, 1 March 2023 is set out on pages EGM – 1 to EGM – 3 of this circular.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option. Therefore, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM. The Board confirms that to the best of their knowledge, belief and information having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

A form of proxy of the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e 11:00 a.m. on Monday, 27 February 2023) or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

The register of members of the Company will be closed from Friday, 24 February 2023 to Wednesday, 1 March 2023, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 23 February 2023.

RECOMMENDATION

Having considered the reasons above mentioned under the section headed "Reasons for and Benefits of the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option" of this circular, the Directors are of the opinion that the terms of the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), the 4th Supplemental Agreement are on normal commercial terms, fair and reasonable and the entering into of the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), the 4th Supplemental Agreement are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement), the 4th Supplemental Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the year ended 31 March 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hkex1718.hk>), please refer to the hyperlinks as stated below:

- annual report of the Company for the year ended 31 March 2020 (pages 94 to 216):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0716/2020071600863.pdf>
- annual report of the Company for the year ended 31 March 2021 (pages 98 to 224):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0816/2021081601090.pdf>
- annual report of the Company for the year ended 31 March 2022 (pages 100 to 228):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0729/2022072901998.pdf>
- interim report of the Company for the six months ended 30 September 2022 (pages 28 to 74):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1213/2022121300521.pdf>

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's existing cash and bank balances, the available credit facilities, the expected internally generated funds from ordinary business operations and the net proceeds from the Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

3. INDEBTEDNESS STATEMENT

As at 30 November 2022, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the date of the circular, the Group had outstanding unsecured loans and lease liabilities of approximately HK\$1,553,000, details of which are set out as follows:

Loans and lease liabilities

As at 30 November 2022, the Group had outstanding lease liabilities of approximately HK\$1,553,000. The Group had no other borrowings.

Contingent liabilities

As at 30 November 2022, the Group had no contingent liabilities.

Pledge of assets

As at 30 November 2022, the Group had not pledge any of its assets.

Save as disclosed above and apart from the intra-group liabilities and normal trade and other payables, as at 30 November 2022, the Group did not have any other debt securities issued or outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages and charges, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

Despite the recent outbreak of Omicron coronavirus, the Board is of the view that the consequential adverse economic effects will be transitory while the outbreak is easing off, there are hopeful signs of a steady recovery in the long term development of construction and foundation industry in Hong Kong. In general, the Group will be prudent in tendering potential project while future strategy will depend on the evolvement of the pandemic.

In recent years, IP Rights licensing industry has developed rapidly in the PRC. In addition to exploiting the core content of the IP Rights through movies, television series, animations and games, Chinese companies as licensees of the IP Rights maximise the overall value by also expanding to the downstream derivative market of the IP Rights in the PRC, including manufacturing IP Rights-related toys, clothings and food and beverages. Accordingly, the scale of consumer demand and revenue sources generated through the commercialisation of the IP Rights have significantly expanded.

On 4 September 2020, the Company acquired 35% of issued share capital of the Target Company, which together with its subsidiaries, is principally engaged in the business of provision of food and beverage catering services utilising well-known IP Rights. The Board is of the view that despite the adverse economic impact of implementation of the COVID-19 pandemic prevention and control quarantine measures in certain cities in the PRC, the prospects of IP Rights licensing industry are brightening.

Meanwhile, in order to maintain a stable and sustainable development of the Group's existing businesses as well as diversifying and expanding the Group's businesses at the same time, the Company will leverage on its industrial experience and the advantage of its existing resources and talented team to seek cooperation and investment opportunities with high-quality companies in the emerging industries.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

Interests of Directors

As at the Latest Practicable Date, none of the Directors, or chief executive of the Company or their respective spouse or associates had any beneficial interests (including interests or short positions) in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or will be required, pursuant to the Model Code in the Listing Rules, to be notified to the Company and the Stock Exchange.

Interests of Substantial Shareholder

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, the following persons and companies (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and the underlying Shares of the Company which fell to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares Held/ Interested	Approximate Percentage of Interest
Suntecli Company Limited ("Suntecli")	Interests held jointly with other persons; beneficial owner (Note 1 and 5)	273,920,000	28.53%
Samwood Global Limited ("Samwood")	Interests held jointly with other persons (Note 1 and 7)	273,920,000	28.53%
Mr. Lau Woon Si ("Mr. Lau")	Interests held jointly with other persons (Note 1 and 6)	273,920,000	28.53%
Mr. Fong Hon Hung ("Mr. Fong")	Interests held jointly with other persons (Note 1 and 7)	273,920,000	28.53%

Name	Capacity/Nature of Interest	Number of Shares Held/ Interested	Approximate Percentage of Interest
Ms. So Choi	Interest of spouse (<i>Note 2</i>)	273,920,000	28.53%
Ms. Kwong Sui Sim	Interest of spouse (<i>Note 3</i>)	273,920,000	28.53%
Mr. Leung Man Lun Stephen ("Mr. Leung")	Interests held jointly with other persons (<i>Note 1</i>)	273,920,000	28.53%
Ms. Chan Sui Yau Cathy	Interest of spouse (<i>Note 4</i>)	273,920,000	28.53%

Notes:

1. Suntecli and Samwood with Mr. Lau, Mr. Fong and Mr. Leung, are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code pursuant to a confirmatory deed dated 3 December 2014 (the "**Concert Party Deed**") and accordingly each of them is deemed to be interested in the Shares held by each other. Pursuant to the Concert Party Deed, Mr. Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed.
2. Ms. So Choi is the spouse of Mr. Lau and is deemed or taken to be interested in all the Shares in which Mr. Lau has, or is deemed to have, an interest for the purposes of the SFO. Mr. Lau was an executive Director of the Company and resigned as executive Director on 7 September 2018.
3. Ms. Kwong Sui Sim is the spouse of Mr. Fong and is deemed or taken to be interested in all the Shares in which Mr. Fong has, or is deemed to have, an interest for the purposes of the SFO. Mr. Fong re-designated from an executive Director to non-executive Director on 18 September 2019, and resigned as the non-executive Director on 17 January 2020.
4. Ms. Chan Sui Yau Cathy is the spouse of Mr. Leung and is deemed or taken to be interested in all the Shares in which Mr. Leung has, or is deemed to have, an interest for the purposes of the SFO. Mr. Leung was an executive Director of the Company and resigned as executive Director on 3 January 2017.
5. The 273,920,000 shares (which were beneficially owned by Suntecli) were charged to Kingston Finance Limited to secure a loan granted to it. Kingston Finance Limited is wholly owned by Ample Cheer Limited, which is owned as to 100% by Mrs. Chu Yuet Wah.
6. Mr. Lau owns approximately 94.65% shareholding in Suntecli which in turn beneficially owns 28.53% shareholding in the Company. Therefore, Mr. Lau is deemed or taken to be interested in all the Shares which are beneficially owned by Suntecli for the purpose of SFO. Mr. Lau resigned as the Chairman and executive Director of the Company with effect from 7 September 2018.
7. Mr. Fong owns approximately 79% shareholding in Samwood.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had: (a) any direct or indirect interests in any assets which have been since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (b) any subsisting material interest in any contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, as far as the Directors were aware of, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into the ordinary course of business) within the two years immediately preceding the date of this circular which is or may be material:

- (a) the 2nd Supplemental Agreement;
- (b) the Escrow Agreement;
- (c) the supplemental escrow agreement dated 22 June 2021 entered into between the Company, the Vendors and the Escrow Agent in relation to the receipt of the total amount of HK\$21,679,747.95 as repayment upon redemption of the promissory notes issued by Moon Ace Limited in the principal amount of HK\$12,885,000 and HK\$8,590,000;

- (d) the 3rd Supplemental Agreement; and
- (e) the 4th Supplemental Agreement.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statement of the Company were made up.

9. MISCELLANEOUS

- (a) the registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands;
- (b) the principal place of business of the Company is at Unit 7, 16th Floor, Emperor Group Centre, No. 288 Hennessy Road, Wanchai, Hong Kong;
- (c) the Hong Kong branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;
- (d) the company secretary of the Company is Ms. Wong Kit Ying, who is a member of the Hong Kong Institute of Certified Public Accountants; and
- (e) if there is inconsistency between this circular and the Chinese translation of this circular, the English text of the circular shall prevail over the Chinese text.

10. DOCUMENTS PUBLISHED ON WEBSITES AND AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange <http://www.hkexnews.hk> and the Company <http://www.hkex1718.hk> for not less than 14 days before the date of the EGM:

- the material contracts referred to in the paragraph headed “Material Contracts” above in this Appendix;
- the 3rd Supplemental Agreement; and
- the 4th Supplemental Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Wan Kei Group Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Wednesday, 1 March 2023 at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

1. “**THAT**

- (a) the entering into of the 3rd supplemental agreement dated 29 August 2022 (the “**3rd Supplemental Agreement**”), the 4th supplemental agreement dated 25 November 2022 (the “**4th Supplemental Agreement**”), both between (i) the Company, (ii) Massive Dynamic Venture Limited and Shen Garden Holdings Limited (the “**Vendors**”), and (iii) Mr. Shao Chao and Mr. Shen Kan (the “**Vendor Guarantors**”) in relation to 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 Matsu Gami IP Development Limited (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 (the “**Proposed Partial Exercise of Put Option and Extension of the Remaining Put Option**”), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one or more Directors of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may at their absolute discretion consider necessary or desirable or expedient for the purpose of, or in connection with, the performance of the rights and/or obligations under and/or give effect to the 3rd Supplemental Agreement and the 4th Supplemental Agreement (including the Proposed Partial Exercise of Put Option and the Extension of the Remaining Put Option and any transactions contemplated thereunder, and to agree to and make such variations, amendments or waivers of any of all other matters incidental there to or in connection therewith.”

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

Hong Kong, 8 February 2023

Notes:

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy needs not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong), not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
5. Where there are joint holders of any shares, any one of such joint holder may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
7. The transfer books and Register of Members of the Company will be closed Friday, 24 February 2023 to Wednesday, 1 March 2023, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 February 2023.
8. A form of proxy for use at the EGM is enclosed.

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.