

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF INTEREST IN A FUND

THE SUBSCRIPTION

The Board is pleased to announce that, on 21 January 2019 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, has subscribed for the Class B Shares in the Fund Portfolio Company at a total Subscription Amount of HK\$40,000,000.

THE SHAREHOLDERS' AGREEMENT

The Board is pleased to further announce that, on 21 January 2019 (after trading hours), the Subscriber, the Manager and the Fund Portfolio Company entered into the Shareholders' Agreement to regulate their respective rights and obligations and to make provisions for the governance of the affairs of the Fund Portfolio Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in relation to the Subscription under the Subscription Agreement exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

The Board is pleased to announce that, on 21 January 2019 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, has subscribed for the Class B Shares in the Fund Portfolio Company at a total Subscription Amount of HK\$40,000,000, which is payable by the Subscriber in cash.

The principal terms of the Subscription Agreement are summarised as follows:

Date:

21 January 2019 (after trading hours)

Parties:

- (i) Sino Topper Holdings Limited, a wholly-owned subsidiary of the Company, as the Subscriber; and
- (ii) Sense Capital Investment I Limited as the Fund Portfolio Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Fund Portfolio Company and its ultimate beneficial owners is third party independent of the Company and its connected persons (as defined under the Listing Rules).

The Subscriber has agreed to subscribe for Class B Shares at a total Subscription Amount of HK\$40,000,000. The Subscription Amount was determined after arm's length negotiations between the parties with reference to, among other things, the prospect of the Fund and the financial resources available to the Group. The Group intends to finance the Subscription Amount by its internal resources.

THE SHAREHOLDERS' AGREEMENT

The Board is pleased to further announce that, on 21 January 2019 (after trading hours), the Subscriber, the Manager and the Fund Portfolio Company entered into the Shareholders' Agreement to regulate their respective rights and obligations and to make provisions for the governance of the affairs of the Fund Portfolio Company.

The principal terms of the Shareholders' Agreement are summarised as follows:

Date:

21 January 2019 (after trading hours)

Parties:

- (i) Sino Topper Holdings Limited, a wholly-owned subsidiary of the Company, as holder of Class B Shares;
- (ii) Sense Media Group Holdings Limited as the Manager; and
- (iii) Sense Capital Investment I Limited as the Fund Portfolio Company.

TERMS OF THE FUND

The principal terms of the Fund are as follows:

- Name of the Fund : Sense Capital Investment I
- Classes of participating shares : There are two classes of shares in the share capital of the Fund Portfolio Company, namely Class A Shares and Class B Shares. The non-voting Class B Shares shall have the rights to dividends and to distribution upon liquidation while there are no such rights for the voting Class A Shares. The Manager owns all of the issued Class A Shares.
- Investment objectives and strategies : The investment objective of the Company is to achieve capital appreciation with periodic income generation.
- The Manager will seek to achieve the investment objective by exclusively investing in the securities trading on the Stock Exchange, especially in technology, media and telecommunications industry. The Company may retain amounts in cash or cash equivalents pending reinvestment as considered appropriate to the investment objective.
- Distribution policy : The directors of the Fund Portfolio Company may propose to declare dividends at such times as they deem fit in accordance with the articles of association of the Fund Portfolio Company. Only holders of Class B Shares are entitled to receive dividends.

Management of the Fund : The Subscription is a passive investment and the Subscriber, as holder
Portfolio Company of the Class B Shares, does not have control over the management of
the Fund Portfolio Company or the appointment and removal of the
directors of the Fund Portfolio Company. The directors of the Fund
Portfolio Company have overall responsibility for the management
of the Fund Portfolio Company and its group. However, in respect of
the Fund, the directors of the Fund Portfolio Company have delegated
responsibility for day-to-day administrative functions and for making
day-to-day investment decisions to the Manager. The Manager has
delegated power to manage, invest and reinvest the assets of the Fund
Portfolio Company to the Investment Manager. The Manager will be
responsible for payment of the fees to the Investment Manager.

Arrangement fee : The Subscriber shall pay a one-time arrangement fee equivalent to 1%
of the Subscription Amount to the Manager upon subscription of the
Class B Shares.

Management fee : The Fund Portfolio Company will pay the Manager on the first business
day of each calendar quarter a management fee, out of the assets of
the Fund attributable to the Class B Shares, of 2.5% per annum of the
Subscription Amount.

Performance fee : Holders of Class B Shares shall on a pro rata basis pay a performance
fee to the Manager within thirty days following an exit event as set out
in the Subscription Agreement.

The performance fee payable by the Fund to the Manager shall be 10%
of the excess of (i) the sum of the disposal proceeds and all related
income generated from the investments by the Fund; over (ii) the total
amounts subscribed by holders of Class B Shares less total amount of
management fee and costs paid by holders of Class B Shares, if such
excess equals to or is greater than the hurdle amount as stipulated in the
Shareholders' Agreement, provided that no performance fee is payable
if such excess is less than such hurdle amount.

Term : A term of 1 year (subject to extension upon agreement of all holders of
Shares (other than holder of Class A Shares) for a further period of 1
year) and upon which the Fund Portfolio Company shall dispose of all
of its investments and distribute all proceeds of sale (after deduction of
fees and costs pursuant to the terms of the Shareholders' Agreement) to
its members.

- Lock-up period : A period of six months commencing on the first issue of the Class B Shares.
- Redemption : Class B Shares may be redeemed at the option of the holders thereof at any time after the expiry of the lock-up period as mentioned above by giving three months' notice in writing to the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Manager and the Investment Manager and their respective ultimate beneficial owners is third party independent of the Company and its connected persons (as defined under the Listing Rules).

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUBSCRIPTION AGREEMENT AND THE SHAREHOLDERS' AGREEMENT

The Group is principally engaged in providing foundation construction, ground investigation services and financial services. As mentioned in the annual report of the Group for the year ended 31 March 2018, the Group reported a net loss of approximately HK\$70 million. The Board is of the view that the growth of the overall foundation industry in Hong Kong will continue to slow down in the coming years. Moreover, the global economy is in turmoil following the outbreak of the trade war between the PRC and the U.S.. The outlook for the global and Hong Kong economy is bleak in the short term. 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.

Having said the above, the Group has been able to identify an investment opportunity for a talented team of professional advisors to assist with cash management of the Group with a view of better utilizing the current idle cash balance of the Group. The Subscription helps the Group to diversify its investment portfolio and strengthen its ability to capture investment opportunity. Further, the Subscription provides a good opportunity for the Company to enhance its return to its shareholders having considered the investment objective of the Fund.

In light of the above, the Directors are of the view that the terms of the Subscription Agreement and the Shareholders' Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP AND THE SUBSCRIBER

The Group is principally engaged in providing (i) foundation construction; (ii) ground investigation services; and (iii) financial services.

The Subscriber is an investment holding company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

INFORMATION OF THE FUND PORTFOLIO COMPANY

The Fund Portfolio Company is a company incorporated under the laws of the British Virgin Islands with limited liability. The investment objective of the Fund Portfolio Company is to achieve capital appreciation with periodic income generation. The Fund Portfolio Company was incorporated on 18 December 2018, and does not have historical financial results.

INFORMATION OF THE MANAGER

The Manager is a company incorporated in the British Virgin Islands with limited liability. The Manager is also the holder of all Class A Shares that carry voting rights. The Manager is principally engaged in asset management.

INFORMATION OF THE INVESTMENT MANAGER

The Investment Manager, a company incorporated in Hong Kong with limited liability, is a corporation licensed under the SFO to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined in the SFO.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in relation to the Subscription under the Subscription Agreement exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Class A Shares”	Shares issued as Class A Shares of the Fund Portfolio Company
“Class B Shares”	Shares issued as Class B Shares of the Fund Portfolio Company
“Company”	Wan Kei Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1718)
“Director(s)”	the director(s) of the Company
“Fund”	Sense Capital Investment I
“Fund Portfolio Company”	Sense Capital Investment I Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Investment Manager”	DL Family Office (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Sense Media Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders’ Agreement”	the shareholders’ agreement dated 21 January 2019 entered into among the Manager, the Subscriber and the Fund Portfolio Company
“Shares”	the shares of the Fund Portfolio Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Sino Topper Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Class B Shares in the Fund Portfolio Company by the Subscriber
“Subscription Amount”	the aggregate subscription price for the Subscription in the sum of HK\$40,000,000
“Subscription Agreement”	the subscription agreement dated 21 January 2019 entered into between the Subscriber and the Fund Portfolio Company
“U.S.”	the United States of America
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

By order of the Board
WAN KEI GROUP HOLDINGS LIMITED
Fong Hon Hung
Chairman

Hong Kong, 21 January 2019

As at the date of this announcement, the executive Directors are Mr. Fong Hon Hung, Mr. Zhang Zhenyi, Mr. Chan Kwan and Mr. Yan Shuai; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Mr. Qin Fen and Mr. Leung Ka Fai Nelson.