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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)

VOLUNTARY ANNOUNCEMENT IN RELATION TO A POTENTIAL ACQUISITION

This is a voluntary announcement made by Wan Kei Group Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”).

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POTENTIAL ACQUISITION

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 6 July 2018 (after trading hours), the Company (as potential purchaser) and the potential vendors (the “**Potential Vendors**”) entered into a non-legally binding memorandum of understanding (the “**MOU**”) in relation to the potential acquisition (the “**Potential Acquisition**”) of the controlling equity interest (the “**Sale Equity Interest**”) in a company (the “**Target Company**” and, together with its subsidiaries, the “**Target Group**”) by the Group from the Potential Vendors (or companies directly controlled by them).

INFORMATION ABOUT THE POTENTIAL VENDORS

The Potential Vendors are individuals who are residents in the People’s Republic of China (the “**PRC**” or “**China**”).

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Potential Vendors are not connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company and are third parties independent of the Company and its connected persons.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the Cayman Islands with limited liability. The Target Group is principally engaged in the operation of the e-sports tournaments and production of relevant video programs.

CONSIDERATION

The consideration for the Potential Acquisition will be subject to further negotiation between the parties to the MOU and is expected to be satisfied by the Company in cash.

EXCLUSIVITY PERIOD

Under the MOU, the Potential Vendors undertake to the Company that they shall not enter into discussion with other third parties on the sale of the Sale Equity Interest within twelve (12) months from the date of the MOU (the “**Exclusivity Period**”).

A formal sale and purchase agreement in relation to the Potential Acquisition (the “**Formal Acquisition Agreement**”) may be entered into between the Company and the Potential Vendors (or companies directly controlled by them) within the Exclusivity Period. In the event that the Formal Acquisition Agreement is not entered within the Exclusivity Period, the MOU shall automatically lapse on the expiry date of the Exclusivity Period.

DUE DILIGENCE REVIEW

The Company has engaged agents and advisers to perform due diligence on (including) the asset, business, legal and financial aspects of the Target Group during the Exclusivity Period. The Potential Vendors have agreed to procure its agents to provide reasonable assistance in this respect.

CONDITIONS PRECEDENT OF THE FORMAL ACQUISITION AGREEMENT

It is intended that the Formal Acquisition Agreement will include, but not limited to, the following conditions precedent to completion thereof:

- (i) the Company being satisfied with the results of the due diligence on the asset, business, legal and financial aspects of the Target Group;
- (ii) the completion of the reorganization of the Target Group, and a legal opinion having been issued by the PRC lawyer engaged by the Company regarding the said reorganization of the Target Group, in each case to the satisfaction of the Company;

- (iii) the passing by the Shareholders in an extraordinary general meeting of the Company to be convened to approve the Formal Acquisition Agreement and the transactions contemplated thereunder; and
- (iv) all necessary consents and approvals required for completion of the transactions contemplated under the Formal Acquisition Agreement being obtained by the Potential Vendors, the Target Group and other parties.

Detailed terms and conditions of the Potential Acquisition will be subject to further negotiation among the Company and the Potential Vendors.

REASONS FOR ENTERING INTO THE MOU

The Group is principally engaged in providing foundation and ground investigation field works to public and private sectors in Hong Kong. As mentioned in the annual report of the Company 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 and ground investigation industry in Hong Kong will continue to slow down in the coming years. 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 in China. As a result, the Group's businesses will be more diversified and internationalized.

The Board is aware that e-sports will be an official sporting program in the 2022 Asian Games to be hosted in Hangzhou, China. Moreover, the number of e-sports enthusiasts globally and the e-sports related revenue has increased continuously and rapidly in the past five years and is expected to further expand in the next decade. The Boards believe that the e-sports sector will continue to grow in popularity and recognition in the future.

The Board considers that the Potential Acquisition, if completed, would allow the Group to broaden its business portfolio and gain access to the e-sports sector, a fast growing sector offering a wide range of investment opportunities, so as to improve the Group's financial status in the long term.

GENERAL

The Board wishes to emphasise that no legally binding agreement in relation to the Potential Acquisition has been entered into by the Company with any party as at the date of this announcement. As such, the Potential Acquisition may or may not proceed. If the Potential Acquisition materialises, the Board considers that it may constitute a notifiable transaction of the Company under the Listing Rules. The Company will comply with the disclosure requirements under the Listing Rules as and when appropriate.

The Potential Acquisition will be subject to certain conditions precedent which may or may not be fulfilled or waived. **Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares in the Company.** The Company will make further announcement(s) as and when appropriate pursuant to the requirements under the Listing Rules.

By Order of the Board
Wan Kei Group Holdings Limited
Lau Woon Si
Chairman

Hong Kong, 6 July 2018

As at the date of this announcement, the executive Directors are Mr. Lau Woon Si, Mr. Fong Hon Hung, Mr. Chan Chi Ming Tony, Mr. Zhang Zhenyi, Mr. Chan Kwan and Mr. Yan Shuai; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Ms. Li Zhongye Cindy, Ms. Wang Qing and Mr. Leung Ka Fai Nelson.