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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)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF INTEREST IN A FUND

THE SUBSCRIPTION

The Board is pleased to announce that, on 20 April 2020 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, has subscribed for the Class C Shares in the Fund Portfolio Company at a total Subscription Amount of HK\$60,000,000.

THE SHAREHOLDERS AGREEMENT

The Board is pleased to further announce that, on 20 April 2020 (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 all 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 20 April 2020 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, has subscribed for the Class C Shares in the Fund Portfolio Company at a total Subscription Amount of HK\$60,000,000, which is payable by the Subscriber in cash.

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

Date:

20 April 2020 (after trading hours)

Parties:

- (i) the Subscriber, a wholly-owned subsidiary of the Company; and
- (ii) 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 a third party independent of the Company and its Connected Persons.

The Subscriber has agreed to subscribe for Class C Shares at a total Subscription Amount of HK\$60,000,000. The Subscription Amount was determined after arm's length negotiations between the parties with reference to, among other things, the prospect and the preferred return of the Fund and the financial resources available to the Group. The Group intends to finance the Subscription Amount by its internal resources.

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

Date:

20 April 2020 (after trading hours)

Parties:

- (i) the Subscriber, a wholly-owned subsidiary of the Company, as holder of Class C Shares;
- (ii) the Manager; and
- (iii) the Fund Portfolio Company.

TERMS OF THE FUND

The principal terms of the Fund are as follows:

- Name of Fund : Sky Success Senior Tranche Fixed Income

- Classes of participating shares : There are three classes of shares in the share capital of the Fund Portfolio Company, namely Class A Shares, Class B Shares and Class C Shares. The non-voting Class B Shares and non-voting Class C 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.

- Preferred return : The Subscriber is entitled to a return equal to 8% per annum of its Subscription Amount, which shall be payable quarterly commencing from the date of the Shareholders Agreement.

- Distribution priority : Upon the Exit and distribution, the investment portfolio of the Fund will be disposed of and the proceeds will be distributed in the following manner:
 - (1) First, 100% to each holder of Class C Shares until the cumulative amount distributed to it pursuant to this paragraph is equal to the sum of its aggregate subscription amount and its fixed return (8% per annum of its subscription amount);
 - (2) Second, if any amount remaining after the above distribution, such remaining amount will be distributed to each holder of Class B Shares; and

- (3) Any deficit in the above distribution to each holder of Class C Shares, the Fund Portfolio Company and the Manger shall procure each holder of Class B Shares to contribute the deficit into the Fund to ensure there is adequate funds for distribution to each holder of Class C Shares.

Investment objectives and strategies : The investment objective is to achieve capital appreciation with periodic income generation.

The Manager will achieve the investment objective by investing in fixed income securities, debt instruments and money lending projects.

Management of the Fund Portfolio Company : The Subscriber, as a holder of the Class C 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 subsidiaries. However, in respect of the Fund, the directors of the Fund Portfolio Company have delegated responsibility for day-to-day administrative function and 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 2% of the Subscription Amount to the Manager upon subscription of the Class C 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 C Shares, of 2% per annum of the Subscription Amount.

Term : a term of 36 months beginning on the first issue of any Class B Shares and Class C Shares, unless otherwise terminated in accordance with the provisions of the Shareholders Agreement

Lock-up period : A period of 9 months commencing on the first issue of the Class C Shares of the Subscriber.

Redemption : Class C 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 1 month's notice in writing to the Fund Portfolio 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 a third party independent of the Company and its Connected Persons.

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

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.

As mentioned in the annual report of the Group for the year ended 31 March 2019 and the interim report of the Group for the period ended 30 September 2019, the Group reported a net loss of approximately HK\$55 million and approximately HK\$19 million respectively. The Board is of the view that the growth of the overall foundation industry in Hong Kong will be expected to slow down in the near future due to effect of novel coronavirus. Moreover, the global economy is in turmoil following (i) the outbreak of the trade war between the PRC and the U.S.; and (ii) the outbreak of novel coronavirus. The outlook for the global and Hong Kong economy is bleak in the near future. 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 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.

“Class B Shares”	Shares issued as Class B Shares of the Fund Portfolio Company
“Class C Shares”	Shares issued as Class C 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)
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exit”	means the events as <ul style="list-style-type: none"> (a) upon occurrence of the sale or transfer of all the underlying investment on arm’s length terms and ceased to make any new investments; (b) on the occurrence of a liquidation or winding up of the Fund Portfolio Company; or (c) upon expiry of the Investment Period.
“Fund”	the investment fund to be managed by the Manager under the Fund Portfolio Company
“Fund Portfolio Company”	Sky Success Finance Limited, incorporated in the British Virgin Island with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Manager”	VSTH Capital Global Asset Management Limited, a company incorporated in Hong Kong with limited liability
“Investment Period”	means, unless otherwise terminated in accordance with the provisions of the Shareholder Agreement, the period beginning on the first issue of any Class B Shares and Class C Shares and ending 36 months later

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Sky Success Finance Limited, a company incorporated in Hong Kong with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders Agreement”	the shareholders’ agreement dated 20 April 2020 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 C Shares in the Fund Portfolio Company by the Subscriber
“Subscription Agreement”	the subscription agreement dated 20 April 2020 entered into between the Subscriber and the Fund Portfolio Company
“Subscription Amount”	the aggregate subscription price for the Subscription in the sum of HK\$60,000,000
“%”	per cent

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

Hong Kong, 20 April 2020

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