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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)

**SUPPLEMENTAL ANNOUNCEMENT
TO 2020 ANNUAL REPORT AND
2021 ANNUAL REPORT AND
UPDATE ON USE OF PROCEEDS**

References are made to (i) the announcement of Wan Kei Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 October 2018 (the “**2018 Announcement**”); (ii) the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”); (iii) the announcement of the Company dated 2 April 2020 (the “**2020 Announcement**”); (iv) the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”); and (v) the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”). Unless otherwise stated, terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Report.

This announcement is made to provide supplementary information to the 2020 Annual Report and the 2021 Annual Report and an update of the use of proceeds from the placing of 160,000,000 new ordinary shares of HK\$0.01 each of the Company, which was completed on 16 December 2016 (the “**Placing**”).

USE OF PROCEEDS FROM THE PLACING

As disclosed in the 2018 Announcement and the paragraphs headed “Issue of Shares from the Placing” in the “Management Discussion and Analysis” section in the 2019 Annual Report, (i) net proceeds of approximately HK\$134,000,000 (the “**Net Proceeds**”) were raised in the Placing; (ii) as at 31 March 2019, the Company used approximately HK\$46,569,000 of the Net Proceeds for the operation of money lending business, the payment of related staff costs, engaging a consultant for the application for securities licenses, administration costs and office set up cost; and (iii) the Company intended to change the use of up to approximately HK\$76,700,000 of the outstanding Net Proceeds to fund the acquisition of approximately 51.315% of the issued share capital of Blue Marble Limited at a total consideration of HK\$320,000,000 (the “**Acquisition**”).

CHANGE IN USE OF PROCEEDS

As disclosed in the 2020 Announcement, the Acquisition subsequently lapsed on 2 April 2020. In view of this, the board of directors of the Company (the “**Board**”) has further resolved to change the use of the outstanding Net Proceeds, being approximately HK\$76,700,000 as at 31 March 2021 (the “**Unutilized Net Proceeds**”) as follows: (i) as to approximately HK\$70,700,000, to fund further possible acquisition(s), including further possible acquisition of 16% of the issued share capital of Matsu Gami IP Development Limited (“**Matsu Gami**”); and (ii) as to the remaining balance of approximately HK\$6,000,000, for general working capital, and would like to provide supplementary information as to the use of the Net Proceeds pursuant to Rules 11(8) and 11A of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as follows:

	Planned use of Net Proceeds as disclosed in the 2018 Announcement and the 2019 Annual Report <i>HK\$ million</i> <i>(approximately)</i>	Amount utilized up to 31 March 2019 <i>HK\$ million</i> <i>(approximately)</i>	Amount utilized up to 31 March 2020 <i>HK\$ million</i> <i>(approximately)</i>	Amount utilized up to 31 March 2021 <i>HK\$ million</i> <i>(approximately)</i>	Unutilized balance up to 31 March 2021 <i>HK\$ million</i> <i>(approximately)</i>	Revised allocation as at the date of this announcement <i>HK\$ million</i> <i>(approximately)</i>	Expected timeline
Investment, financing and money lending services	57.3	46.6	10.7	-	-	-	N/A
Funding the Acquisition	76.7	-	-	-	76.7	-	N/A
Funding further possible acquisition(s)	-	-	-	-	-	70.7	By 31 March 2023
General working capital	-	-	-	-	-	6.0	By 31 March 2023
	<u>134.0</u>	<u>46.6</u>	<u>10.7</u>	<u>-</u>	<u>76.7</u>	<u>76.7</u>	

The Board confirmed that the supplementary information provided in this announcement does not affect any other information contained in the 2020 Annual Report and 2021 Annual Report and, save as disclosed above, the content of the 2020 Annual Report and 2021 Annual Report remain unchanged.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Following the lapse of the Acquisition in April 2020, the Unutilized Net Proceeds have remained idle and the Board has therefore resolved to change the use of the Unutilized Net Proceeds for more efficient use of the Company's financial resources for further possible acquisition(s) and general working capital.

Further Possible Acquisition(s)

As disclosed in the Company's announcement dated 4 September 2020, the Company completed the acquisition of 35% of the issued share capital of Matsu Gami on 4 September 2020 and was granted the right to further acquire 16% of the issued share capital of Matsu Gami at a consideration of HK\$35,025,000 (the "**Call Option**") if Matsu Gami achieves certain guaranteed profits and acquires certain intellectual property rights for the year ended 31 March 2021 or 31 March 2022. The Company may exercise the Call Option within the periods either (i) beginning on 31 July 2021 and ending on the 30th business day thereafter; or (ii) beginning on 31 July 2022 and ending on the 30th business day thereafter. As at the date of this announcement, the Company has not exercised all or part of the Call Option. The Company will continue to monitor the performance of Matsu Gami in determining whether to exercise such Call Option. Further announcement(s) will be made by the Company if it elects to exercise the Call Option.

The Board considers that further possible acquisition of Matsu Gami would enable the Group to access to more business and investment opportunities in the People's Republic of China (the "**PRC**") and diversify its revenue streams by taking part in the PRC's market of derivative products and services as derived from well-known intellectual property rights ("**IP Right(s)**").

Apart from further possible acquisition of the issued share capital of Matsu Gami, the Company has been exploring suitable investment and acquisition opportunities in the IP Rights licensing industry. Since the acquisition of interest in Matsu Gami, the Group has gained experience in the IP Rights licensing industry in the PRC and is keen to further accumulate suitable IP Rights to strengthen the Group's capability to generate more revenue from the downstream derivative market of IP Rights in the PRC. Currently, there is no definitive target identified, nor has any due diligence process been commenced or definitive agreement been entered into.

General Working Capital

Meanwhile, the Group requires more working capital to meet the operation needs of its financial and trading businesses in view of anticipated development in these business segments.

The Board will closely monitor the operations of the Group as well as that of Matsu Gami, and the plans for the use of Unutilized Net Proceeds, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance of the Group. The Board considers the above change in the use of the Unutilized Net Proceeds is fair and reasonable, as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and its shareholders as a whole.

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

Hong Kong, 17 August 2021

As at the date of this announcement, the executive Directors are Mr. Yan Shuai, Mr. Chan Kwan 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.