

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.



Wai Chi Holdings Company Limited **偉志控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

MAJOR TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITION OF EQUIPMENT AND CHANGE IN USE OF PROCEEDS RAISED FROM THE PLACING

Financial Adviser to the Company



INTRODUCTION

The Board hereby announces that on 11 November 2020, Wai Chi Huizhou, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which Wai Chi Huizhou has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Equipment at a cash consideration of approximately USD5.9 million (equivalent to approximately HK\$45.9 million). The Proposed Acquisition, if materialized, would enable the Group to commence the semiconductor memory chips testing and packing business.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition is above 25% but less than 100%, if materialized, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

CONTROLLING SHAREHOLDER'S WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder and their respective associates has a material interest in the Proposed Acquisition, if materialized, and therefore no Shareholder is required to abstain from voting on the resolution in respect of the Proposed Acquisition if the Company were to convene a general meeting for the approval of the Proposed Acquisition. As at the date of this announcement, Rexell Technology Company Limited is the controlling Shareholder of the Company and beneficially holds 128,120,000 Shares, representing 59.09% of the entire issued share capital of the Company. Written approval of the Proposed Acquisition has been obtained from Rexell Technology Company Limited on 11 November 2020. Pursuant to Rule 14.44 of the Listing Rules, such written shareholder's approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Proposed Acquisition.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Proposed Acquisition and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as possible within 15 Business Days after the date of this announcement.

Since there is no certainty that the Proposed Acquisition may or may not be materialized, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board hereby announces that on 11 November 2020, Wai Chi Huizhou, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which Wai Chi Huizhou has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Equipment at a cash consideration of approximately USD5.9 million (equivalent to approximately HK\$45.9 million). The Proposed Acquisition, if materialized, would enable the Group to commence the semiconductor memory chips testing and packing business.

PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are summarized below:

Date: 11 November 2020

Parties

- (a) Wai Chi Huizhou, as purchaser; and
- (b) Victoria Ultra Business Co., Ltd., as vendor.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Assets to be acquired

Pursuant to the Agreement, the Equipment mainly comprises (i) loading machines; (ii) wire bonding machines; (iii) memory card processing related equipment; (iv) electric cutting and plotting machines; and (v) other memory chips packaging and testing equipment, which primarily support and enable the Group's launch of the semiconductor memory chips testing and packing business.

Consideration

The total consideration for the Proposed Acquisition is approximately USD5.9 million which shall be satisfied by the Group in cash in the following manner:

- (i) a refundable initial deposit of 30% of the Consideration (the “**Refundable Deposit**”), approximately USD1.8 million (equivalent to approximately HK\$13.8 million) shall be paid within five Business Days after the date of the Agreement;
- (ii) the remaining balance of 70% of the Consideration, approximately USD4.1 million (equivalent to approximately HK\$32.1 million) shall be paid within one month after the date of Completion.

The consideration was arrived at after arm's length negotiations between the Group and the Vendor after taking into account (i) the price of similar equipment in the market; (ii) the customized installation and testing service to be provided by the Vendor; and (iii) the reasons for and benefits of the Proposed Acquisition as described under the paragraph headed “Reasons for and benefits of the Proposed Acquisition” below.

Conditions precedent to the Completion

The transactions contemplated under the Agreement are conditional upon and subject to the following conditions:

1. passing of the requisite resolution(s) by the Shareholders to the effect that all relevant requirements under the Listing Rules and/or all necessary approvals and processes of the relevant authorities which may be required for the entering into and implementation of the Agreement and for the transactions contemplated thereunder having been fulfilled, obtained and/or completed by Wai Chi Huizhou and/or the Group;
2. all necessary consents and approvals required to be obtained from the Vendor, in respect of the Agreement and the transactions contemplated thereunder, having been obtained;
3. the Vendor having shown and proven it possesses a good title to the Equipment;
4. all the warranties provided by the Vendor remain true, complete and accurate, and not misleading or deceptive, in all material respects as at the date of Completion;
5. the physical delivery, installation, testing and handover of Equipment having been completed;
6. Wai Chi Huizhou being satisfied with the results of its inspection of the Equipment; and
7. no incidents, whether individually or collectively, having occurred or been reasonably expected to occur which would bring material adverse impact onto the Agreement and/or the transactions contemplated thereunder.

None of the conditions set out above can be waived by either Wai Chi Huizhou or the Vendor.

If the conditions set out above have not been satisfied on or before 31 March 2021, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Vendor shall refund the Refundable Deposit to Wai Chi Huizhou within 10 Business Days after the Agreement had so ceased and determined.

Completion

Completion shall take place on the date falling on the fifth Business Day (or such later date as the parties to the Agreement may agree in writing) after the fulfillment of the conditions precedent set out above.

Pursuant to the Agreement, in the event that the Completion has not taken place on or before 31 March 2021, the non-defaulting party(ies) to the Agreement shall have the right to terminate the Agreement and upon such termination, the Vendor shall refund the Refundable Deposit to Wai Chi Huizhou within 10 Business Days.

Warranty

Under the Agreement, there is a warranty period of one year for the Equipment, commencing from the date of Completion, during which the Vendor warrants that it will be responsible for promptly repairing and fixing any defect of the Equipment at its own costs or paying the repairment cost to Wai Chi Huizhou in an amount mutually agreed by the parties to the Agreement.

SOURCE OF FUNDING

The Proposed Acquisition will be financed by both the internal resources of the Group and the Net Proceeds from the Placing.

INFORMATION OF THE GROUP AND THE VENDOR

The Group is principally engaged in the design, manufacture and sales of high-quality Light-Emitting Diode (“**LED**”) backlight and LED lighting products and sourcing business. LED backlight products are classified into 3 types, namely, (i) automobile on-board displays; (ii) television displays; and (iii) other industrial equipment displays. LED lighting business is divided into 2 types, namely, commercial lighting and public lighting.

Wai Chi Huizhou, a limited liability company established in the PRC and an indirectly wholly owned subsidiary of the Company, primarily engages in manufacturing and sale of LED backlight and lighting products.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor is a privately owned company established in the Republic of Seychelles. The Vendor is held as to 100% by Mr. Kao Chin Chih. The Vendor is principally engaged in the business of trading of machineries and electronic components.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is actively developing its business in lighting energy management solutions and is becoming an integrated one-stop LED energy management services provider specializing in offering comprehensive lighting energy management solutions for sizeable business corporations and public utilities.

As disclosed in the 2019 annual report of the Company released on 17 April 2020 and the interim report for the period ended 30 June 2020 released on 18 September 2020, the Group has noticed the rising consumption for Internet of things (“**IoT**”) products and surging demand for flash memory chips, which provides an ultra-cost-effective high-density non-volatile memory storage solution to support the embedded systems that control the operation of machines or fulfill designated tasks. In the trading segment, the Group launched the business of memory chips trading. As consumer application of IoT technologies are imminent, memory chips are an example of semiconductor components in devices or systems which will soon be prevailing in revamping conventional everyday objects.

The Group currently runs the comprehensive production facilities in Shenzhen, Huizhou and Yichang in the PRC. In anticipation that the future niche market for small-storage memory chips can be lucrative for sellers who can fulfill demands especially from clients without resources to produce the chips for their own end-products, the Directors have been carefully evaluating the Proposed Acquisition with a view to becoming a steady and reliable supplier of this niche market. Since Single-Level Cell (“SLC”) and Multi-Level Cell (“MLC”) memory chips generally provide longer data retention and withstand more program/erase cycles, the Directors foresee a wide application of such chips to many devices ranging from bluetooth speakers, video game consoles and smart TVs, to droids. The Directors are of the view that the Proposed Acquisition, if materialized, would enable the Group to launch the SLC and MLC chips related testing and packing business and to diversify the Group’s income streams.

Moreover, the Directors consider that the consideration for acquiring the Equipment is fair and reasonable having taking into account (i) the price of similar equipment in the market; (ii) the customized installation and testing service to be provided by the Vendor; and (iii) the reasons for and benefits of the Proposed Acquisition as described under this paragraph. The Board considers that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are normal commercial terms, which are fair and reasonable.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition is above 25% but less than 100%, if materialized, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

CHANGE IN THE USE OF PROCEEDS RAISED FROM THE PLACING

As disclosed in the 2019 annual report of the Company released on 17 April 2020, it was intended that the Net Proceeds would be utilised for financing any potential investment opportunities such as mergers and acquisition that may arise from time to time. As at the date of this announcement, the Net Proceeds have not yet been utilised and have been deposited with licensed banks in Hong Kong. In light of the capital requirement for the Proposed Acquisition, the Board has resolved to reallocate 100% of the Net Proceeds to the funding of the consideration for the Proposed Acquisition.

Save as disclosed above, there is no other change in the use of Net Proceeds. The Company considers that the change in use of the Net Proceeds as set out above is fair and reasonable as this would allow the Company to start a new business segment and to diversify its revenue streams.

CONTROLLING SHAREHOLDER'S WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder and their respective associates has a material interest in the Proposed Acquisition, if materialized, and therefore no Shareholder is required to abstain from voting on the resolution in respect of the Proposed Acquisition if the Company were to convene a general meeting for the approval of the Proposed Acquisition. As at the date of this announcement, Rexell Technology Company Limited is the controlling Shareholder of the Company and beneficially holds 128,120,000 Shares, representing 59.09% of the entire issued share capital of the Company. Written approval of the Proposed Acquisition has been obtained from Rexell Technology Company Limited on 11 November 2020. Pursuant to Rule 14.44 of the Listing Rules, such written shareholder's approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Proposed Acquisition.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Proposed Acquisition and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as possible within 15 Business Days after the date of this announcement.

Since there is no certainty that the Proposed Acquisition may or may not be materialized, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 11 November 2020 entered into between Wai Chi Huizhou and the Vendor in relation to the Proposed Acquisition
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong or the PRC) on which licensed banks in Hong Kong and the PRC are generally open for normal banking businesses
“Company”	Wai Chi Holdings Company Limited (偉志控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange

“Completion”	completion of the Proposed Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	approximately USD5.9 million, being the total consideration payable by Wai Chi Huizhou to the Vendor for the Proposed Acquisition pursuant to the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company
“Equipment”	the equipment to be acquired under the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Net Proceeds”	net proceeds amounting to approximately HK\$31,134,000 from the Placing
“Placing”	the placing of 16,825,000 shares in the Company completed on 6 May 2016
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Equipment under the Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollar, the lawful currency of the United States of America
“Vendor”	Victoria Ultra Business Co., Ltd., a privately owned company established in the Republic of Seychelles

“Wai Chi Huizhou”

Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司), a limited liability company established in the PRC and an indirectly wholly owned subsidiary of the Company

By order of the Board
Wai Chi Holdings Company Limited
Yiu Chi To
Chairman

Hong Kong, 11 November 2020

For the purpose of this announcement, unless otherwise indicated, conversion of USD into HK\$ is calculated at the approximate exchange rate of USD1.00 to HK\$7.76. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

As at the date of this announcement, the executive Directors of the Company are Mr. Yiu Chi To (Chairman), Mr. Chen Chung Po (Chief Executive Officer), Ms. Yiu Kwan Yu, Mr. Chen Wei Wu and Ms. Yong Jian Hui; and the independent non-executive Directors are Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai.

* *for identification purpose only*