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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF EQUIPMENT**

INTRODUCTION

On 13 November 2020, Wai Chi Huizhou, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, for the acquisition of the Equipment at the total consideration of RMB12.0 million (equivalent to approximately HK\$13.2 million).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

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PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are summarized below:

Date 13 November 2020

Parties

- (a) Wai Chi Huizhou, as purchaser; and
- (b) Shenzhen Zi Yun Xin Electronics Technology Company Limited* (深圳市紫雲芯電子科技有限公司), 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 owners are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Equipment to be acquired Pursuant to the Agreement, the Equipment comprises (i) five wafer cutting machines; (ii) one printed circuit board (“PCB”) cutting machine; and (iii) one wafer grinding machine.

Delivery terms The Equipment shall be delivered within 10 days after the execution of the Agreement and the settlement of a refundable initial deposit of 40% of the Consideration in the amount of approximately RMB4.8 million (equivalent to approximately HK\$5.3 million). The Vendor shall be responsible for delivering the Equipment to Wai Chi Huizhou or any destination designated by Wai Chi Huizhou and for all the costs incurred in the transportation, installation and testing of the Equipment.

Consideration The total consideration for the Acquisition is RMB12.0 million (equivalent to approximately HK\$13.2 million) which shall be satisfied by the Group in cash in the following manner:

- (i) a refundable initial deposit of 40% of the Consideration in the amount of approximately RMB4.8 million (equivalent to approximately HK\$5.3 million) shall be paid upon the signing of the Agreement;
- (ii) the remaining balance of 60% of the Consideration in the amount of approximately RMB7.2 million (equivalent to approximately HK\$7.9 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; and (ii) the reasons for the Acquisition and benefits for the Group in respect thereof as described under the paragraph headed “Reasons for and benefits for the Group in respect of the Acquisition” below.

Conditions precedent to the Completion

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

1. all necessary consents and approvals required to be obtained from the Group and Vendor, in respect of the Agreement and the transactions contemplated thereunder, having been obtained;
2. the Vendor having shown and proven to possess a good title to the Equipment;
3. the physical delivery, installation and testing of the Equipment having been completed by the Vendor; and
4. Wai Chi Huizhou being satisfied with the results of the testing of the Equipment.

Completion shall take place on the date falling on the fifth working 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.

If the conditions set out above have not been satisfied on or before 31 December 2020, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards the other party thereunder save for any antecedent breaches of the terms thereof. The Vendor shall refund the refundable initial deposit (representing 40% of the Consideration) under the Agreement to Wai Chi Huizhou within 10 days after the Agreement has ceased and determined as aforesaid.

Title to the Equipment

Title to and beneficial ownership of the Equipment shall pass from the Vendor to the Group upon full payment of the Consideration to the Vendor.

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 shall be responsible for repairing and fixing any defect of the Equipment at its own costs. The Vendor provides lifetime maintenance service for the Equipment, and only maintenance fee at costs will be charged to the Group after the warranty period of one year.

SOURCE OF FUNDING

The Acquisition will be financed by the internal resources of the Group.

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 under the laws of the PRC with limited liability. The Vendor is held as to 55% by Zhuang Yan* (莊岩) and 45% by Zhang Yun Hai* (張雲海). The Vendor is principally engaged in the business of technology development of multimedia software and hardware and digital video equipment, research and development and sales of electronic products, semiconductor integrated circuit packaging and testing.

REASONS FOR AND BENEFIT FOR THE GROUP IN RESPECT OF THE ACQUISITION

Reference is made to the interim report for the period ended 30 June 2020 released on 18 September 2020 which states, among other things, that the emerging Internet of Things (IoT) trend has called for a surge in demand for Flash memory chips, which provides an ultra-cost-effective high-density non-volatile memory storage solution in support of these embedded systems.

The Group is planning to open up the Single-Level Cell (“SLC”) and Multi-Level Cell (“MLC”) Flash memory chips testing and packing business, extending and expanding its footprints into the semiconductor memory field. As SLC and MLC memory chips generally provide longer data retention and withstand more program/erase cycles, the Group foresees a wide application of such chips to many devices ranging from bluetooth speakers, video game consoles, smart TVs, to droids. The Directors are of the view that the Acquisition would support and facilitate the development of the SLC and MLC Flash memory chips testing and packing business and enable the Group to diversify its income streams.

Moreover, the Directors consider that the consideration for the Acquisition are fair and reasonable having taking into account (i) the price of similar equipment in the market; and (ii) the reasons for and benefits for the Group in respect of the Acquisition as described under this paragraph. The Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition are normal commercial terms, which are fair and reasonable.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules 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:

“Acquisition”	the acquisition of the Equipment under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 13 November 2020 entered into between Wai Chi Huizhou and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“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 Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	RMB12.0 million (equivalent to approximately HK\$13.2 million), being the total consideration payable by Wai Chi Huizhou to the Vendor for the 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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shenzhen Zi Yun Xin Electronics Technology Company Limited* (深圳市紫雲芯電子科技有限公司), a company established under the laws of the PRC with limited liability

“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

“working day”

any day in which any company in the PRC is generally open for business, including any Saturday and Sunday that the PRC government has declared as temporary working day, but excluding statutory holidays and any Saturday or Sunday which is not a temporary working day

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

Hong Kong, 13 November 2020

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.10. 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