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If you have sold or transferred all your shares in Wai Chi Holdings Company Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

MAJOR TRANSACTION
IN RESPECT OF THE PROPOSED ACQUISITION OF EQUIPMENT

Financial Adviser to the Company



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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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
“Latest Practicable Date”	14 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein

DEFINITIONS

“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 circular, 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

For the purpose of this circular, 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.

* for identification purpose only

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

Board of Directors

Executive Directors:

Mr. Yiu Chi To (Chairman)

Mr. Chen Chung Po

Ms. Yiu Kwan Yu

Mr. Chen Wei Wu

Ms. Yong Jian Hui

Independent Non-executive Directors:

Mr. Au Yeung Tin Wah

Mr. Chen Kwok Wang

Mr. Ho Chi Wai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal Place of Business
in Hong Kong:*

6th Floor, Liven House

63 King Yip Street

Kwun Tong

Kowloon

Hong Kong

18 December 2020

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITION OF EQUIPMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2020 in relation to, among others, the Proposed Acquisition.

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

LETTER FROM THE BOARD

(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.

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.

The purpose of this circular is to provide you with further information regarding the Proposed Acquisition.

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 are used equipments primarily for supporting and enabling the Group's launch of the semiconductor memory chips testing and packing business.

LETTER FROM THE BOARD

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.

In order to commence the semiconductor memory chips testing and packing operation promptly and efficiently, the Group intends to select a suitable and experienced vendor who can provide the full set of semiconductor equipment and after-sales services without further procurement of additional equipment, parts and services by the Group. The Directors compared three quotations from the market in relation to the similar sets of equipment, which identified a price range from approximately USD5.9 million to USD6.5 million (equivalent to approximately HK\$45.9 million to HK\$50.4 million), and further considered (i) whether the full set of necessary equipment can capacitate and facilitate the Group to start the testing and packing operation efficiently; (ii) the condition of the set of equipment; and (iii) the installation and testing service to be provided by vendor.

The selected Vendor offers to sell the full set of semiconductor equipment with the satisfying functional capabilities and conditions at a reasonable consideration compared to other vendors and provides a series of customized after-sales services including logistics, installation, testing and maintenance which enable and facilitate the Group to commence the semiconductor memory chips testing and packing operation upon the Completion.

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 annual report of the Company for the year ended 31 December 2019 released on 17 April 2020 and the interim report of the Company 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

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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 current memory chips trading business mainly involves (i) sourcing wafers from our suppliers; (ii) testing and packing process on the SLC and MLC memory chips; and (iii) delivering and selling the SLC and MLC memory chips to our customers. However, testing and packing process on the SLC and MLC memory chips are currently outsourced to contractors under the trading business segment. To have better management and control of the quality of the SLC and MLC memory chips and production costs, the Directors intend to utilize the Equipment for the operation of the testing and packing process on the SLC and MLC memory chips.

While securing access to reliable sources of high-quality wafers is the most significant entrance barrier for the production of the SLC and MLC memory chips, the Group currently maintains a stable relationship with several existing suppliers in the field. Our current memory chips customers are principally industrial manufacturers who apply our memory chips in their own products and sell them to their respective clients. Furthermore, the Directors are fully aware of the increasing application of the SLC and MLC memory chips to the devices manufactured by our existing LED products customers, including smartphones, automobile displays, equipment displays and television manufacturers. The Directors believe that there is potential opportunity for cross selling of the SLC and MLC memory chips to our existing LED products customers.

The Directors consider that their as well as the management’s experience and expertise in relation to the testing and packing of the LED chips and respective production facilities are relevant and sufficient for the Group to launch the SLC and MLC memory chips related testing and packing business because both of the LED chips and the SLC and MLC memory chips basically involve similar processes and techniques such as wafer bonding and probing, defect mapping, die singulation and inspection and final testing and sorting.

In light of the above, 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

LETTER FROM THE BOARD

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.

EFFECT OF THE PROPOSED ACQUISITION ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

Upon the completion of the Proposed Acquisition, the fixed assets of the Group are expected to increase by approximately HK\$45.9 million, while the cash balance of the Group would decrease by approximately HK\$45.9 million. No change in the total liabilities are noted as the Proposed Acquisition has been fully financed by both the internal resources of the Group and the Net Proceeds from the Placing. The Directors are of the view that the Proposed Acquisition would enable the Group to launch the SLC and MLC chips related testing and packing business and to diversify the Group's income streams.

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 circular, 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.

RECOMMENDATION

The Directors consider that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Proposed Acquisition, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Proposed Acquisition.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Wai Chi Holdings Company Limited
Yiu Chi To
Chairman

18 December 2020

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.waichi.com>):

- annual report of the Company for the year ended 31 December 2017 published on 18 April 2018 (pages 74 to 166):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0418/ltn20180418643.pdf>
- annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 (pages 75 to 186):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418466.pdf>
- annual report of the Company for the year ended 31 December 2019 (the “2019 Annual Report”) published on 17 April 2020 (pages 76 to 186):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0417/2020041700692.pdf>
- interim report of the Company for the six months ended 30 June 2020 (the “2020 Interim Report”) published on 18 September 2020 (pages 17 to 48):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0918/2020091800416.pdf>

WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available facilities and the effects of the Proposed Acquisition, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

INDEBTEDNESS**Borrowings**

As at the close of business on 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$329,509,000, details of which are set out below:

	<i>HK\$'000</i>
Secured and guaranteed:	
Trust receipts loans	72,912
Other bank loans	167,591
Other loans	14,054
Unsecured and guaranteed:	
Other bank loans	74,952
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Total	329,509
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Pledge of assets

As at the close of business on 31 October 2020, the Group had pledged the following amount of assets to secure the borrowings and lease liabilities of the Group:

	<i>HK\$'000</i>
Plant and machineries	20,077
Buildings	99,797
Right-of-use assets	38,858
Bank deposits	109,785

Corporate bond

As at the close of business on 31 October 2020, the Group had outstanding corporate bond of HK\$2,000,000, which was unsecured and unguaranteed.

Contingent liabilities

As at the close of business on 31 October 2020, we did not have any contingent liabilities.

Lease liabilities

As at the close of business on 31 October 2020, the Group had current lease liabilities of HK\$5,403,000 and non-current lease liabilities of HK\$7,663,000, details of which are set out below:

	<i>HK\$'000</i>
Secured and unguaranteed	3,326
Unsecured and unguaranteed	9,740
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Total	13,066
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Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2020, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchase commitments or guarantees.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the design, manufacture and sales of high-quality Light-Emitting Diode (“LED”) backlight and LED lighting products. Wai Chi Huizhou, an indirect wholly-owned subsidiary of the Company, primarily engages in the trading of LED backlight products and the manufacturing of LED backlight products in large and medium dimension.

As disclosed in the 2020 Interim Report released on 18 September 2020, and 2019 Annual Report released on 17 April 2020, the 5G networks enable the Internet of Things (IoT) to usher in a new era, where more and more everyday devices employ embedded systems to control the operation of the machine or fulfill designated tasks, which in turn has called for a surge in demand for a specific type of semiconductor memory chip – the NAND Flash memory chips. With the current major players in the NAND Flash industry focusing on increasing the data capacity of their memory chips, the niche market of Single-Level Cell (“SLC”) and Multi-Level Cell (“MLC”) NAND Flash, where each cell stores only 1 and 2 bits of data respectively, will be especially lucrative, as these chips provide longer data retention and withstand more program/erase cycles.

Further to the addition of the memory chips trading business in 2019, the Company has been strategically assessing the potential acquisition of new production facilities to enhance its product mix, and has narrowed down to the SLC and MLC products. The Directors are of the view that the Proposed Acquisition, if materialised, would enable the Group to commence the SLC and MLC chips related testing and packing business, allowing it to expand its involvement in this field. In this regard, the Group stays prudently optimistic about its capacity to cater to future market demand, maintain positive financial performances, and generate returns for its shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the company or any of its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive personnel of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/nature of interest	Number and class of securities (Note 2)	Approximate percentage of shareholding
Mr. Yiu Chi To (Note 1)	Beneficial owner	128,120,000 (L)	59.09%

Notes:

1. Mr. Yiu Chi To holds 100% of the issued share capital of Rexell Technology Company Limited, which is the controlling shareholder holding approximately 59.09% of the issued share capital of the Company.
2. The letter "L" denotes the Director's long position in the shares of the Company or the relevant associated corporation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive personnel of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the

SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests and short positions of substantial shareholders and other parties in the shares, underlying shares of the company

As at the Latest Practicable Date, so far as the Directors and chief executive officer of the Company were aware, the following persons and corporations (excluding the Directors and chief executive officer of the Company) had interests or short positions in any of the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

Name of Shareholder	Capacity/nature of interest	Number of shares held	Approximate percentage of issued share capital
Rexell Technology Company Limited (<i>Note 1</i>)	Beneficial owner	128,120,000	59.09%
Mr. Yiu Chi To (<i>Note 2</i>)	Interest of a controlled corporation	128,120,000	59.09%
Ms. Luk Fong (<i>Note 3</i>)	Interest of spouse	128,120,000	59.09%

Notes:

1. Rexell Technology Company Limited directly holds 128,120,000 shares representing approximately 59.09% of the issued share capital of the Company.
2. Mr. Yiu Chi To is the legal and beneficial owner of all the issued shares of Rexell Technology Company Limited and is therefore deemed to be interested in all the shares of the Company held by Rexell Technology Company Limited under the SFO.
3. Ms. Luk Fong, as the spouse of Mr. Yiu Chi To, is deemed to be interested in all the shares of the Company held by Rexell Technology Company Limited by virtue of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Yiu Chi To, Mr. Chen Chung Po and Ms. Yiu Kwan Yu has entered into a service agreement with the Company for three years from 16 August 2019, and each of the service agreements may be terminated by either party by giving not less than three months' written notice.

Each of Mr. Chen Wei Wu and Ms. Yong Jian Hui has entered into a service agreement with the Company for three years from 11 March 2020, and each of the service agreements may be terminated by either party by giving not less than three months' written notice.

Each of Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai has entered into a letter of appointment with the Company for a term of two years commencing from 11 March 2020 and each of the letters of appointment may be terminated by either party by giving not less than two months' written notice.

Save as disclosed above, none of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business as at the Latest Practicable Date.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims of material importance to the Group and no litigation, arbitration or claims of material importance to the Group was known to the Directors to be pending or threatened by or against any members of the Group.

8. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

- (i) The Agreement; and
- (ii) the conditional sale and purchase agreement dated 13 November 2020 entered into between Wai Chi Huizhou as purchaser and Shenzhen Zi Yun Xin Electronics Technology Company Limited* (深圳市紫雲芯電子科技有限公司) as vendor in relation to the acquisition of equipment at the total consideration of approximately HK\$13.2 million.

9. MISCELLANEOUS

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The headquarters and principal place of business of the Company in Hong Kong is located at 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (iii) The Cayman Islands principal share registrar and transfer office is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iv) The Hong Kong share registrar and transfer office is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.
- (vi) The company secretary of the Company is Mr. Cheung Wai Hung. Mr. Cheung is currently a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and a certified tax adviser at the Taxation Institute of Hong Kong.

* for identification purpose only

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong for a period up to and including the date falling on the 14th day from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports containing audited consolidated financial statements of the Company for the three years ended 31 December 2019;
- (iii) the interim report of the Company for the six months ended 30 June 2020;
- (iv) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (v) the directors’ service contracts referred to in the paragraph headed “Directors’ Service Contracts” in this appendix; and
- (vi) this circular.