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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 AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITION OF THE TARGET COMPANY

Financial Adviser to the Company



THE ACQUISITION

The Board is pleased to announce that, on 11 November 2021 (after trading hours), Techwide Management Company Limited as Purchaser, an indirect wholly-owned subsidiary of the Company, and Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung, being the Vendors, entered into the Agreement for the acquisition of the Sale Interest at the Consideration of HK\$91.0 million which shall be settled by way of cash.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is above 25% but less than 100%, the Acquisition, if materialized, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is owned by the Vendors as to 20% by Ms. Yiu Kwan Yu, being an executive Director, as to 60% by Mr. Yiu Kwan Lok (being brother of Ms. Yiu Kwan Yu and an associate thereof), and as to 20% by Ms. Yiu Oi Tung (being sister of Ms. Yiu Kwan Yu and an associate thereof). Accordingly, the Vendors are connected persons (as defined in the Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Therefore, the Acquisition constitutes a major transaction and a connected transaction for the Company under Chapter 14 and 14A of the Listing Rules, and is thereby subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened for Shareholders to consider and, if thought fit, approve, among other matters, the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An IFA was appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the valuation report to be issued by the Independent Valuer relating to the Properties; (v) financial information of the Group and the Target Company; (vi) the unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (vii) a notice of the EGM 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 Acquisition may or may not be materialized, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that, on 11 November 2021 (after trading hours), Techwide Management Company Limited as Purchaser, an indirect wholly-owned subsidiary of the Company, and Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung, being the Vendors, entered into the Agreement for the acquisition of the Sale Interest at the Consideration of HK\$91.0 million which shall be settled by way of cash.

PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are summarized below:

Date: 11 November 2021

Parties

- (a) Techwide Management Company Limited, as Purchaser;
- (b) Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung, being the Vendors; and
- (c) Maxtone Electronics Limited, being the Target Company.

As at the date of this announcement, the Target Company is owned by the Vendors as to 20% by Ms. Yiu Kwan Yu (being an executive Director), 60% by Mr. Yiu Kwan Lok (being brother of Ms. Yiu Kwan Yu and an associate thereof) and as to 20% by Ms. Yiu Oi Tung (being sister of Ms. Yiu Kwan Yu and an associate thereof). Accordingly, the Vendors are connected persons (as defined in the Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest.

Consideration

The total consideration for the Acquisition is approximately HK\$91.0 million which shall be satisfied by the Group in cash in the following manner:

- (i) as to a refundable initial deposit of 30% of the Consideration, in an amount of approximately HK\$27.3 million, upon the date of the Agreement; and
- (ii) the remaining balance of 70% of the Consideration, in an amount of approximately HK\$63.7 million, shall be paid upon Completion.

The Consideration was determined after arm's length negotiations among the parties to the Agreement and with reference to (i) the market value of the Properties of approximately HK\$101.4 million as of 31 October 2021 as appraised by the Independent Valuer and (ii) the financial position and performance of the Target Company. Having taking into account the reasons for and benefits of the Acquisition as described under the paragraph headed "Information of the Group and reasons for and benefit of the Acquisition" below, the Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the IFA, be set out in the letter from the Independent Board Committee in the circular to be dispatched to the Shareholders) consider the Consideration to be fair and reasonable.

Conditions precedent to the Completion

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

- 1. the performance and completion, to the satisfaction of the Purchaser, of due diligence review by the Purchaser (or any person(s) so authorized by the Purchaser) on the business, operation, financial position, assets of the Target Company and the Properties in connection with the Agreement;
- 2. the delivery by the Target Company to the Purchaser upon the execution of the Agreement of a certified true copy of the minutes of a meeting or written resolutions of all members of the board of directors, approving the transactions hereby contemplated by and authorizing the signing, sealing, execution and completion (as appropriate) of the Agreement and the documents ancillary thereto and the entering of the Purchaser or its nominee into the register of members and the cancellation of existing share certificates and issuing of new share certificates to the Purchaser or its nominee;

3. the delivery by the Target Company to the Purchaser of all documents of title relating to the Properties, including but not limited to the title deeds, agreements for sale and purchase, the deeds of assignment, mortgages and legal charges;
4. all regulatory and necessary approvals, permits, certificates, authorizations and consents in relation to the Agreement and the transactions contemplated thereunder as required by the Target Company and the Vendors (including without limitation the approval of the Independent Shareholders to the Acquisition at the EGM convened for such purpose and/or any consent from banks or other financial institutions having been obtained;
5. all the warranties, representations and undertakings given by the Vendors under the Agreement being and remaining true, accurate and correct in all material respects from the date of the Agreement until and up to Completion; and
6. no material adverse change having occurred in relation to the Target Company and the Properties from the date of the Agreement until and up to Completion.

If by 4:00 p.m. on 31 March 2022, or such later time and date as the Purchaser, the Vendors and the Target Company may agree in writing, some of the conditions precedent set out above shall remain unfulfilled and are not waived by the Purchaser in accordance with the terms hereof, the Agreement shall be terminated forthwith after such time and date. The full amount of the Consideration which has been paid to the Vendors shall be refunded (without interest) to the Purchaser within fourteen (14) Business Days thereafter.

Completion

Completion shall take place no later than the seventh (7th) Business Day (or such later date as the parties to the Agreement may agree in writing) next succeeding the fulfillment of all (but not part only) of the aforesaid conditions precedent (or the unfulfilled part thereof being waived by the Purchaser).

As Property A1 is currently being leased by the Target Company to the Group (through Wai Chi Opto Technology Limited, an indirect wholly-owned subsidiary of the Company) for use as warehouse and office, such transaction constitutes a continuing connected transaction of the Group. Details of such continuing connected transaction are set out in the prospectus of the Company dated 4 November 2014. Upon Completion, as the Group will have become owner of the Properties, such continuing connected transaction will cease.

SOURCE OF FUNDING

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

INFORMATION OF THE TARGET COMPANY AND THE PROPERTIES

The Target Company

The Target Company is a private company established under the laws of Hong Kong with limited liability on 15 June 2004 and principally engaged in property holding and property leasing business. As at the date of this announcement, the Target Company is owned by the Vendors as to 20% by Ms. Yiu Kwan Yu (being an executive Director), as to 60% by Mr. Yiu Kwan Lok (being brother of Ms. Yiu Kwan Yu and an associate thereof) and as to 20% by Ms. Yiu Oi Tung (being sister of Ms. Yiu Kwan Yu and an associate thereof). The Target Company is the owner of the Properties which are currently provided as security to banks for banking facility(ies) granted to the Company.

Set out below is the audited financial information of the Target Company for the years ended 31 March 2020 and 2021 as prepared in accordance with the Hong Kong Financial Reporting Rules issued by the Hong Kong Institute of Certified Public Accountants from time to time.

	For the year ended 31 March	
	2020	2021
(HK\$ in thousands)	(audited)	(audited)
(Loss)/profit before taxation	(5,092)	2,910
(Loss)/profit after taxation	(5,200)	2,877

As at 30 September 2021, the unaudited net asset value of the Target Company was approximately HK\$94.6 million.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Properties

The Properties held by the Target Company are two industrial premises in Hong Kong.

Property A1 is an industrial premises located at Unit A, 6/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong with a total gross floor area of approximately 8,500 square feet. It is currently occupied by the Group for use as warehouse and office for a period of 2 years from 1 April 2021 to 31 March 2023, at a monthly rental of HK\$98,500.

Property A2 is an industrial premises located at Unit B, 6/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong with a total gross floor area of approximately 6,299 square feet. It is currently leased to an independent third party for use as warehouse for a period of 2 years from 16 May 2021 to 15 May 2023, at a monthly rental of HK\$81,000 for the first year (16 May 2021 to 15 May 2022) which will then be adjusted to prevailing market rent for the second year (16 May 2022 to 15 May 2023).

Property A1 and Property A2 together were acquired by the Target Company on 15 February 2006 at the aggregate consideration of approximately HK\$10.4 million. The indicative market value of the Property A1 and Property A2 together as at 31 October 2021 appraised by the Independent Valuer is approximately HK\$75.3 million.

Property B is an industrial premises located at Factory Unit C on 2/F., King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong with a total gross floor area of approximately 5,340 square feet, and is currently vacant. This premises was acquired by the Target Company on 13 May 2010 at the aggregate consideration of approximately HK\$7.3 million. The indicative market value of Property B as at 31 October 2021 appraised by the Independent Valuer is approximately HK\$26.1 million.

INFORMATION OF THE GROUP AND REASONS FOR AND BENEFIT OF THE ACQUISITION

The Company is an investment holding company. 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. The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

Property A1 has been currently leased to the Group as its warehouse and office. The Board considers that the geographical location of the Properties is suitable and ideal for the operations of the Group and the Group has therefore continued to renew the lease agreement on a periodic basis. Property A1 is intended for continuing self-use as warehouse and office for the business of the Group.

During 2019, the Group added a new collection of products to its sourcing business segment, namely, memory chips related products. It is part of the Group’s plan to smoothly open up a new line of business – memory chip testing and packaging. In line with the fast-growing semiconductor business of the Group, save as disclosed above, the Properties will serve as (i) the warehouse for semiconductor materials and products; and (ii) the showroom for LED backlight, LED lighting and semiconductor product display. With regard to the Acquisition, the Group takes into consideration the business efficacy and operational efficiency afforded thereto by expanding its operation at a convenient location near the Group’s headquarters which will certainly benefit the Group by enhancing its corporate and business efficiency and effectiveness.

The Group considers that the Acquisition will be in the long-term interests of the Company and its Shareholders as a whole, because the Properties may provide potential capital appreciation for the Group and can improve the continuance of its operation by reducing rental expenditure of the Group and exposure to rental fluctuation of the market.

Furthermore, the Acquisition can strengthen the financial position of the Group through the acquired Properties being made available for mortgage or as loan collateral, which can allow the Group to obtain more preferential terms from banks for financing arrangements for its business operation, where necessary. As the Target Company has already provided the Properties as security to bank(s) for banking facilities for the Group’s business operation, the Group intends to maintain the existing security arrangement under the Properties and continue to use the existing banking facilities upon Completion and thereafter for support to the Group’s operation. The Group considers that the Acquisition is expected to improve operational independence as the Group will be able to reduce reliance on its connected parties for its ongoing business.

Moreover, the Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the IFA, be set out in the letter from the Independent Board Committee in the circular to be dispatched to the Shareholders) consider that the consideration for Acquisition is fair and reasonable. The Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are on normal commercial terms, which are fair and reasonable.

Mr. Yiu Chi To (being father of Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung), Ms. Yiu Kwan Yu (being daughter of Mr. Yiu Chi To and sister of Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung, and a shareholder of the Target Company) and Mr. Chen Chung Po (being husband of Ms. Yiu Kwan Yu and son-in-law of Mr. Yiu Chi To), who are the Directors who have a material interest in the Acquisition by virtue of their relationship with the Vendors as disclosed hereinabove, have abstained from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is above 25% but less than 100%, the Acquisition, if materialized, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is owned by the Vendors as to 20% by Ms. Yiu Kwan Yu (being an executive Director), as to 60% by Mr. Yiu Kwan Lok (being brother of Ms. Yiu Kwan Yu and an associate thereof) and as to 20% by Ms. Yiu Oi Tung (being sister of Ms. Yiu Kwan Yu and an associate thereof). Accordingly, the Vendors are connected persons (as defined in the Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Therefore, the Acquisition constitutes a major transaction and a connected transaction for the Company under Chapter 14 and 14A of the Listing Rules, and is thereby subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve, among other matters, the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An IFA was appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the valuation report to be issued by the Independent Valuer relating to the Properties; (v) financial information of the Group and the Target Company; (vi) the unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (vii) a notice of the EGM 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 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:

“Acquisition”	the acquisition of the Sale Interest under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 11 November 2021 entered into between the Purchaser, the Vendors and the Target Company in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong 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 Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	HK\$91.0 million, being the total consideration payable by the Purchaser to the Vendors for the Acquisition pursuant to the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“IFA”	Veda Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition
“Independent Board Committee”	the independent board committee of the Board comprising Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai, being the independent non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	any Shareholder who is not required to abstain from voting at the EGM, if necessary, and is required to vote at the EGM to approve the Acquisition
“Independent Valuer”	Peak Vision Appraisals Limited, the independent valuer appointed by the Company for the purpose of the valuation of the Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	Property A1, Property A2 and Property B
“Property A1”	Unit A, 6/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong
“Property A2”	Unit B, 6/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong
“Property B”	Factory Unit C on 2/F., King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong
“Purchaser”	Techwide Management Company Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company

“Sale Interest”	the entire equity interest held by the Vendors in the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Maxtone Electronics Limited, a company incorporated in Hong Kong with limited liability
“Vendors”	Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung

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

Hong Kong, 11 November 2021

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.