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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)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

The Board announces that on 22 December 2023 (after trading hours of the Stock Exchange), the Transferor, being an indirect wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement with the Transferee, pursuant to which the Transferor transferred 100% of its equity interest in the Disposal Company to the Transferee at the Consideration of RMB6.9 million (equivalent to approximately HK\$7.7 million) payable in cash within 90 days from the date of the Equity Interest Transfer Agreement.

Upon Completion of the Disposal, the Disposal Company will no longer be a subsidiary of the Company and the Company will not be holding (indirectly or otherwise) any equity interest in the Disposal Company. Accordingly, the financial results of the Disposal Company will no longer be consolidated into the Group's financial statements.

LISTING RULES IMPLICATIONS

The Transferee is directly wholly owned by Ms. Luk Fong, who is the Company's ultimate controlling shareholder and also an executive Director of the Company. The Transferee is, therefore, a connected person of the Company, and the entering into of the Equity Interest Transfer Agreement by the Transferor with the Transferee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL

The Board announces that on 22 December 2023 (after trading hours of the Stock Exchange), the Transferor and the Transferee entered into the Equity Interest Transfer Agreement, pursuant to which the Transferor transferred the 100% equity interest in the Disposal Company to the Transferee. Further particulars and the principal terms of the Equity Interest Transfer Agreement are set out below:

EQUITY INTEREST TRANSFER AGREEMENT

- Date of the Agreement: 22 December 2023.
- Parties:
- (a) Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司) (as the Transferor); and
 - (b) Shenzhen City Shaohua BuFu Technology Company Limited* (深圳市韶華不負科技有限公司) (as the Transferee).
- Asset to be disposed of: 100% equity interest (including all assets and indebtedness) held by the Transferor in the Disposal Company as at the date of the Agreement.
- Transferor's guarantee: the 100% equity interest in the Disposal Company is not subject to any pledge, sealing order or confiscation.
- Transferee's right: if the Transferor has not provided the Transferee with complete and substantial information about the indebtedness of the Transferor prior to the Disposal, and the Transferee has suffered any loss as a result thereof, the Transferee is entitled to sue the Transferor for compensation.
- Fine payable:
- (i) if the Transferee fails to pay the Consideration according to the Agreement, the Transferee has to pay the Transferor a fine which is 1/10000 of the overdue amount of the Consideration for each day the overdue amount of the Consideration remains unpaid;

- (ii) if any breach of the Agreement by the Transferee causes any loss to the Transferor, and the amount of fine paid by the Transferee is less than the actual amount of loss incurred by the Transferor, the Transferee has to compensate the Transferor accordingly;
- (iii) if the Transferee fails to complete any change to registration in time on account of the Transferor, the Transferor shall pay the Transferee a fine which is 1/10000 of the amount of the Consideration already paid to the Transferor by the Transferee; and
- (iv) if any breach of the Agreement by the Transferor causes any loss to the Transferee, and the amount of the fine paid by the Transferor is less than the actual amount of loss incurred by the Transferee, the Transferor has to compensate the Transferee accordingly.

Consideration

The Consideration for the Disposal is RMB6.9 million (equivalent to approximately HK\$7.7 million), which shall be payable in cash by the Transferee within 90 days from the date of the Equity Interest Transfer Agreement.

The Consideration for the Disposal was determined after arm's length negotiations between the Transferor and Transferee with reference to and including but not limited to, (i) the unaudited net asset value of the Disposal Company attributable to the Group as at 30 November 2023, (ii) the fair value of the net assets of the Disposal Company as shown in the Valuation Report issued by an independent third-party valuer; and (iii) the loss-making position of the Disposal Company.

Accordingly, the Board (including all the independent non-executive Directors) considers that the Consideration for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion of the Disposal shall take place within 90 days from the date of the Equity Interest Transfer Agreement. Upon Completion of the Disposal, the Disposal Company will no longer be a subsidiary of the Company; the Company will not be holding (indirectly or otherwise) any equity interest in the Disposal Company; and the Transferee shall make application to the relevant PRC authority for registration with respect to the change of the holder of 100% equity interest in the Disposal Company. In addition, the financial results of the Disposal Company will no longer be consolidated into the Group's financial statements.

INFORMATION ON THE GROUP AND THE TRANSFEROR

The Group is principally engaged in (i) the manufacturing and sales of light-emitting diode (“LED”) backlight and LED lighting products, with its operations covering, among others, research and development, lighting solution design, installation and maintenance; (ii) the provision of lighting solutions and services; and (iii) the sourcing of high-tech products (currently focusing on semiconductor memory chips and related products). The Transferor is an indirect wholly-owned subsidiary of the Company and it is principally engaged in the manufacture and sale of LED backlight and lighting products and sourcing business.

INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company is an indirect wholly-owned subsidiary of the Company before the Disposal and it is principally engaged in the manufacture and sale of LED lighting products and provision of LED light installation service. The Disposal Company has no active business activities or operations, with the exception of holding a land use right in Yichang, PRC, since 2021.

The unaudited net asset value of the Disposal Company attributable to the Group as at 30 November 2023 was approximately RMB6.3 million (equivalent to approximately HK\$7.1 million). On the other hand, according to the Valuation Report, the fair value of the net assets of the Disposal Company is approximately RMB6.9 million (equivalent to approximately HK\$7.7 million) as at 30 November 2023.

Set out below is the audited results of the Disposal Company for the years ended 31 December 2021 and 2022 respectively prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Net loss before taxation	399	867
Net loss after taxation	399	867

The Group expected to record an unaudited gain of approximately RMB590,000 (equivalent to approximately HK\$660,000) as a result of the Disposal, which represents the difference between the Consideration and (i) the unaudited net asset value of the Disposal Company as at 30 November 2023 of approximately RMB6.3 million (equivalent to approximately HK\$7.1 million) as well as (ii) the estimated expenses to be incurred from the Disposal.

The above-mentioned figures are for illustrative purpose only. The actual gain in connection with the Disposal will be subject to the review and final audit by the auditor of the Company.

INFORMATION ON THE TRANSFEREE

The Transferee is a company established in the PRC. The principal activities of the Transferee are the provision of software and information technology services.

REASONS FOR THE DISPOSAL

The Board considers that the Disposal enables the Company to optimise its asset structure, thereby strengthening the overall quality of the assets of the Company. The Disposal will neither have any material or negative impact on the Group's normal business operation or its production and financial position nor cause any substantial change to the financial conditions and operating results of the Group.

The Board (including all the independent non-executive Directors) considers that the net proceeds from the Disposal, if used as general working capital, could further improve the financial position of the Group. Accordingly, the Board (including all the independent non-executive Directors) is of the view that the terms and conditions for the Disposal are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

The Transferee is directly wholly owned by Ms. Luk Fong, who holds the entire shareholding of Rexell Technology Company Limited, which is the Company's controlling shareholder holding 58.31% of the issued share capital of the Company, which indirectly holds 100% shareholding of the Transferor, which in turn holds 100% equity interest in the Disposal Company, that is, the Disposal Company is an indirect wholly-owned subsidiary of the Company. Ms. Luk Fong became the ultimate beneficial owner of Rexell Technology Company Limited upon the transfer of all the issued shares in Rexell Technology Company Limited (the "**Rexell Shares**") from the estate of the late Mr. Yiu Chi To, the former owner of the Rexell Shares, (after his demise on 28 January 2022) to Ms. Luk Fong, the spouse of the late Mr. Yiu Chi To, by way of transmission by the operation of law, upon completion of the relevant transfer process. Besides, Ms. Luk Fong is also an executive Director of the Company. The Transferee is, therefore, a connected person of the Company, and the entering into of the Equity Interest Transfer Agreement by the Transferor with the Transferee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors (except Ms. Luk Fong, Ms. Yiu Kwan Yu (“**Ms. Yiu**”) and Mr. Chen Chung Po (“**Mr. Chen**”)) had any material interest in the Disposal and therefore none of them (except Ms. Luk Fong, Ms. Yiu and Mr. Chen) was required to abstain from voting on the Board resolution approving the Equity Interest Transfer Agreement and the transactions (including the Disposal) contemplated thereunder. Ms. Yiu, an executive Director of the Company, is the daughter of Ms. Luk Fong, and Mr. Chen, an executive Director of the Company, is the husband of Ms. Yiu and the son-in-law of Ms. Luk Fong. Ms. Yiu and Mr. Chen are deemed to be associates of Ms. Luk Fong and, therefore, materially interested in the Disposal.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Wai Chi Holdings Company Limited (偉志控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1305);
“Completion”	the completion of the Disposal as contemplated under the Equity Interest Transfer Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“connected transaction”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration for the Disposal as set out in the Equity Interest Transfer Agreement;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the transfer of the 100% equity interest (including all assets and indebtedness) in the Disposal Company by the Transferor to the Transferee in accordance with the terms and conditions of the Equity Interest Transfer Agreement;

“Disposal Company”	Sanxia Wai Chi Opto Technology (Yichang) Limited* (三峽偉志光電(宜昌)有限公司), a company established in the PRC;
“Equity Interest Transfer Agreement” or “the Agreement”	the agreement for the Disposal, that is, the transfer of the 100% equity interest (including all assets and indebtedness) in the Disposal Company by the Transferor to the Transferee, entered into between the Transferor and the Transferee on 22 December 2023;
“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 People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose 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)”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Transferee”	Shenzhen City Shaohua BuFu Technology Company Limited* (深圳市韶華不負科技有限公司);
“Transferor”	Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司);

“Valuation Report”

the asset valuation report dated 13 December 2023 which was prepared and issued by an independent third-party valuer;

“%”

per cent

* *For identification purpose only*

By order of the Board
Wai Chi Holdings Company Limited
Chen Chung Po
Chairman

Hong Kong, 22 December 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Chung Po (Chairman and Chief Executive Officer), Ms. Luk Fong, 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. Ho Chi Wai and Mr. Yu Zhenyu.