
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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)

(1) MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF EGM

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders for the connected transaction

VEDA | CAPITAL
智 略 資 本

All capitalized terms used in this circular shall have the meanings ascribed to them in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 31 of this circular.

Please refer to page 1 of this circular for the measures being taken at the EGM to try to prevent and control the spread of COVID-19.

A notice convening the extraordinary general meeting of the Company to be held at 11th Floor, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong, on 28 December 2021 at 11:00 a.m. is set out on page 81 of this circular. Whether or not you propose to attend the meeting, you are requested to read the notice of EGM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

In case of any inconsistency between the English version and the Chinese version of this circular, the English version shall prevail.

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	1
DEFINITIONS	2
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	14
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	16
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	32
APPENDIX II – ACCOUNTANTS’ REPORT OF THE TARGET COMPANY	36
APPENDIX III – MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY	58
APPENDIX IV – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	62
APPENDIX V – VALUATION REPORT	69
APPENDIX VI – GENERAL INFORMATION	76
NOTICE OF EGM	81

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every attending Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into, or be requested to leave, the EGM venue.
- (ii) All attendees are requested to wear surgical face masks at the EGM venue at all times, and to maintain a safe distance with other attendees where possible.
- (iii) To the extent permitted under applicable laws and regulations, any person who does not comply with the measures above may be denied entry into, or be required to leave, the EGM venue.
- (iv) No refreshments will be served, and there will be no corporate gifts, at the EGM.

Shareholders should carefully consider the risk of attending the EGM, including their own personal circumstances. In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by completing and signing the form of proxy in accordance with the instructions printed thereon, Shareholders may appoint the chairman of the EGM as their proxies to attend and vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.

The form of proxy for use in connection with the EGM is enclosed with this circular. The form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.waichiholdings.com>). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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
“Enlarged Group”	the Group as enlarged by the Acquisition upon Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“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

DEFINITIONS

“Independent Financial Adviser” or “IFA”	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on 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
“Latest Practicable Date”	1 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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

DEFINITIONS

“Target Company”	Maxtone Electronics Limited, a company incorporated in Hong Kong with limited liability
“USD”	United States dollar, the lawful currency of the United States of America
“Vendors”	Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung
“%”	per cent

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

10 December 2021

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2021 in relation to, among others, the Acquisition.

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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (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) financial information of the Group and the Target Company; (v) the unaudited pro forma financial information of the Group as enlarged by the Acquisition; (vi) the valuation report of the Properties; and (vii) a notice of the EGM.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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) 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.

LETTER FROM THE BOARD

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 thereof, 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. The Group will have sufficient cash resources to settle the Consideration for the Acquisition.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

Set out below is the audited financial information of the Target Company for the years ended 31 March 2020 and 2021 and the six months ended 30 September 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	For the six months ended 30 September 2021
<i>(HK\$ in thousands)</i>	(audited)	(audited)	(audited)
(Loss)/profit before taxation	(5,092)	2,910	16,231
(Loss)/profit after taxation	(5,200)	2,877	16,231

As at 30 September 2021, the audited 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).

Upon the expiration of the existing lease, Property A2 is intended to be used as a warehouse for semiconductor material and products.

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 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.

LETTER FROM THE BOARD

Upon Completion, the Enlarged Group intends to use the Property B as a showroom, with storage function, for LED backlight, LED lighting and semiconductor product display.

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. Upon Completion, 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, being 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.

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.

Based on the above, the Directors consider that although the Acquisition is not in the ordinary course of business of the Group given the nature of the transaction, the terms and conditions of the Acquisition are fair and reasonable and are entered into on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

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.

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

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial result will be consolidated to the consolidated financial statements of the Company. It is expected that the Acquisition will have the following financial effects on the Group:

Effects on assets and liabilities

Upon Completion, the non-current assets of the Enlarged Group are expected to be increased by approximately HK\$101.8 million, being the acquisition cost of the Properties, while the current assets of the Enlarged Group are expected to be decreased by approximately HK\$86.0 million, as a matter of the decrease in its cash and bank balances for settling the Consideration. The current liabilities of the Enlarged Group are expected to be increased by approximately HK\$12.2 million upon Completion due to the increase in amount due to a director and the consolidation of certain accrued expenses, receipt in advance and income tax payables by the Target Company.

Effect on earnings

For the year ended 31 December 2020, the total rental payment of the existing warehouse and office premises of the Group amounted to approximately HK\$1.2 million. Upon Completion, rental related expenses of approximately HK\$1.2 million per annum can be saved assuming the rental related expense for warehouse and office premises is maintained at the existing level.

Moreover, the Group expects that there will be an increase in the annual depreciation expenses relating to the Properties after Completion of approximately HK\$4.0 million per annum. However, the impact could be offset in the long run by the combined effect of an annual rental saving of approximately HK\$3.0 million with respect to the Group's current leased warehouse and office and the expected rental expenses to be incurred for additional space of leased warehouse and showroom to cater for the growing businesses of the Group should the Acquisition not proceed. In the short run, the Group's earnings are expected to increase as a result of the additional rental income to be brought in by the existing lease of Property A2.

Save as disclosed above, there will be no immediate material effect on the earnings and assets and liabilities of the Group associated with the Acquisition.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

EGM

The EGM will be held at 11th Floor, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 28 December 2021 at 11:00 a.m. (Hong Kong time), for the purpose of approving, among other matters, the Agreement and the transactions contemplated thereunder by way of poll. At the EGM, any Shareholders with a material interest in the Acquisition are required to abstain from voting in respect of the resolution(s) approving the Acquisition. As 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), are the Directors who have a material interest in the Acquisition by virtue of their relationship with the Vendors as disclosed hereinabove, Mr. Yiu Chi To, Ms. Yiu Kwan Yu and Mr. Chen Chung Po, and their associate(s) shall abstain from voting at the EGM for approving the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Yiu Chi To and his associates held 128,120,000 Shares, representing approximately 59.09% of the issued share capital of the Company.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending, and voting at, the EGM or any adjournment thereof if the Shareholders so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Agreement and the transactions contemplated thereunder. The text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 31 of this circular.

The Independent Board Committee comprising all the independent non-executive Directors who are not interested in the Acquisition, namely Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai, has been established to consider, and advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the Agreement at the EGM. The letter from the Independent Board Committee, which contains its advice to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, is also set out on pages 14 to 15 of this circular.

The Directors consider that the Agreement and the Acquisition contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 14 to 15 of this circular, containing its recommendation in respect of the Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser set out on pages 16 to 31 of this circular, containing its recommendation in respect of the Agreement and the transactions contemplated thereunder; and (iii) the additional information set out in the appendices to this circular. The Independent Shareholders are advised to read the aforesaid letters and appendices before deciding as to how to vote on the resolution approving, among other things, the Agreement and the transactions contemplated thereunder.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the entering into of the Agreement for inclusion in the Circular.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

10 December 2021

(1) MAJOR AND CONNECTED TRANSACTION
IN RESPECT OF THE PROPOSED ACQUISITION OF THE TARGET COMPANY
AND
(2) NOTICE OF EGM

To: Independent Shareholders of Wai Chi Holdings Company Limited

Dear Sir or Madam,

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

INTRODUCTION

We refer to the circular dated 10 December 2021 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been formed to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder. Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of the Circular and the text of a letter from the Independent Financial Adviser, as set out on pages 16 to 31 of the Circular, both of which provide details of the terms of the Agreement and the transactions contemplated thereunder. After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its view and consider that although the entering into of the Agreement is not in the ordinary and usual course of the business of the Group, the Agreement is on normal commercial terms, fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) for approving the Acquisition.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Wai Chi Holdings Company Limited

Mr. Au Yeung Tin Wah
*Independent non-executive
Director*

Mr. Chen Kwok Wang
*Independent non-executive
Director*

Mr. Ho Chi Wai
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL
智 略 資 本

Suites 1001-1002, 10/F., 299 QRC
299 Queen's Road Central
Hong Kong

10 December 2021

*To: Independent Board Committee and Independent Shareholders of
Wai Chi Holdings Company Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the Circular dated 10 December 2021 issued by the Company to the Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 11 November 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and 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.

As set out in the letter from the Board (the “**Board Letter**”) in the Circular, 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 Latest Practicable Date, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As 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), are the Directors who have a material interest in the Acquisition by virtue of their relationship with the Vendors as disclosed hereinabove, Mr. Yiu Chi To, Ms. Yiu Kwan Yu and Mr. Chen Chung Po, and their associate(s) shall abstain from voting at the EGM for approving the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Yiu Chi To and his associates held 128,120,000 Shares, representing approximately 59.09% of the issued share capital of the Company.

The Independent Board Committee comprising all the independent non-executive Directors who are not interested in the Acquisition, Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai, has been established to consider, and advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the Agreement and the transactions contemplated thereunder.

We, Veda Capital, with the approval of the Independent Board Committee, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders and to provide recommendation on whether the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders and to give our recommendation as to the voting in respect of the resolutions to be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Agreement and the transactions contemplated thereunder, there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and/or the representatives of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

Business and financial information of the Group

The Company is principally engaged in investment holding. The Group is principally engaged in (i) manufacturing and trading of Light-Emitting Diode backlight (the “**LED Backlight Business**”); (ii) manufacturing and trading of Light-Emitting Diode lighting products (the “**LED Lighting Business**”); and (iii) provision of high-tech electronic components and memory chips related products sourcing business (the “**Sourcing Business**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group's unaudited consolidated financial information for the six months ended 30 June 2021 and 2020 as extracted from the Company's interim report for the six months ended 30 June 2021.

	For the six months ended		
	30 June 2021	30 June 2020	Changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)	(unaudited)	
Revenue	892,393	609,064	46.52
– the LED Backlight Business	650,053	436,977	48.76
– the LED Lighting Business	64,360	38,621	66.65
– the Sourcing Business	177,980	133,466	33.35
Profit for the period attributable to Shareholders	15,443	6,614	133.49
	As at		
	30 June 2021	30 June 2020	Changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)	(unaudited)	
Total assets	2,217,954	1,639,178	35.31
Net assets	783,019	670,086	16.85
Net assets attributable to Shareholders	781,454	670,086	16.62

As set out in the interim report of the Company for the six months ended 30 June 2021, the Group recorded revenue for the six months ended 30 June 2021 in the amount of approximately HK\$892.39 million, representing an increase of approximately 46.52% as compared to that of the six months ended 30 June 2020 in the amount of approximately HK\$609.06 million. As advised by the Company, the increase in revenue was mainly attributable to an increase in the LED Backlight Business and LED Lighting Business by approximately HK\$213.08 million and HK\$25.74 million respectively, due to (i) the surge in car sales which drove the demand for all LED backlight products, especially the automobile onboard displays backlights; and (ii) the increased sales of both public and commercial lighting products.

The Group recorded a profit attributable to Shareholders for the six months ended 30 June 2021 in the amount of approximately HK\$15.44 million, representing an increase in profit of approximately 133.49% as compared to that for the six months ended 30 June 2020 in the amount of approximately HK\$6.61 million. As advised by the Company, the increase in profit was mainly due to the increase in revenue of the LED Backlight Business and LED lighting Business as mentioned in the above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's unaudited total assets as at 30 June 2021 amounted to approximately HK\$2,217.95 million, including but not limited to, inventories of approximately HK\$324.19 million and trade receivables of approximately HK\$602.80 million, representing an increase of approximately 35.31% as compared to that as at 30 June 2020 in the amount of approximately HK\$1,639.18 million. The Group's unaudited net asset value attributable to Shareholders increased by approximately 16.62% to approximately HK\$781.45 million as at 30 June 2021 from approximately HK\$670.09 million as at 30 June 2020.

Set out below is a summary of the Group's audited consolidated financial information for the financial years ended 31 December 2020 and 2019 as extracted from the Company's annual report for the financial year ended 31 December 2020.

	For the financial years ended		
	31 December	31 December	
	2020	2019	Changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)	(unaudited)	
Revenue	1,395,888	2,214,974	(36.98)
– the LED Backlight Business	988,091	950,106	4.00
– the LED Lighting Business	74,360	94,777	(21.54)
– the Sourcing Business	333,437	1,170,091	(71.50)
Profit for the year attributable to Shareholders	30,958	37,148	(16.66)
As at			
	31 December	31 December	
	2020	2019	Changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)	(unaudited)	
Total assets	2,032,015	1,609,712	26.23
Net assets	751,867	675,689	11.27
Net assets attributable to Shareholders	749,855	675,689	10.98

The Group recorded revenue for the year ended 31 December 2020 in the amount of approximately HK\$1,395.89 million, representing a decrease of approximately 36.98% as compared to that of the year ended 31 December 2019 in the amount of approximately HK\$2,214.97 million. As advised by the Company, the decrease in revenue was mainly due to the decrease revenue generated from the LED Lighting Business and Sourcing Business in the amount of approximately HK\$74.36 million and HK\$333.44 million for the year ended 31 December 2020 respectively as compared to that of approximately HK\$94.78 million and HK\$1,170.09 million for the year ended 31 December 2019 respectively, which is caused by (i) the halt in production at the production plant in Yichang in the Hubei province since the COVID-19 outbreak in the PRC and the decrease of public lighting projects available in the PRC market; and (ii) the strategic shift to focus on the small-storage memory chips business sector.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a profit attributable to Shareholders for the year ended 31 December 2020 in the amount of approximately HK\$30.96 million, representing a decrease of approximately 16.66% as compared to that for the year ended 31 December 2019 in the amount of approximately HK\$37.15 million. As advised by the Company, the decrease in profit was mainly because of the decrease revenue as mentioned above.

The Group's audited total assets as at 31 December 2020 amounted to approximately HK\$2,032.02 million, including but not limited to, deposits with bank of approximately HK\$178.22 million and deposit paid for acquisition of property, plant and equipment of approximately HK\$52.90 million. The Group's audited net asset value attributable to Shareholders increased by approximately 10.98% to approximately HK\$749.86 million as at 31 December 2020 from approximately HK\$675.69 million as at 31 December 2019.

2. 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 Latest Practicable Date, 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		For the six months ended 30 September
	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
(Loss)/profit before taxation	(5,092)	2,910	16,231
(Loss)/profit after taxation	(5,200)	2,877	16,231

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2021, the audited 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for and benefits of the Acquisition

As set out in the Board Letter, 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, being 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. Based on the above, 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.

Based on our discussion with the Company, we have been advised that it is the Company's strategy to focus on memory chips related products, in the Sourcing Business. We noted from the annual report of the Company for the year ended 31 December 2020 that the gross profit margin of the Sourcing Business increased from approximately 1.6% for the year ended 31 December 2019 to approximately 5.3% for the year ended 31 December 2020 driven by the Group's memory chips related products. As illustrated in the previous section, the segment revenue of the Sourcing Business increased from approximately HK\$133.47 million for the six months ended 30 June 2020 to approximately HK\$177.98 million for the six months ended 30 June 2021, representing an increase of approximately 33.4%. Also, as the principal office of the Company in Hong Kong is located in the Properties, the Acquisition would allow the Group to expand all its business while enhancing its operating efficiency.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Year-on-Year percentage change in gross domestic products in real terms
in Hong Kong (the “Real GDP”)**

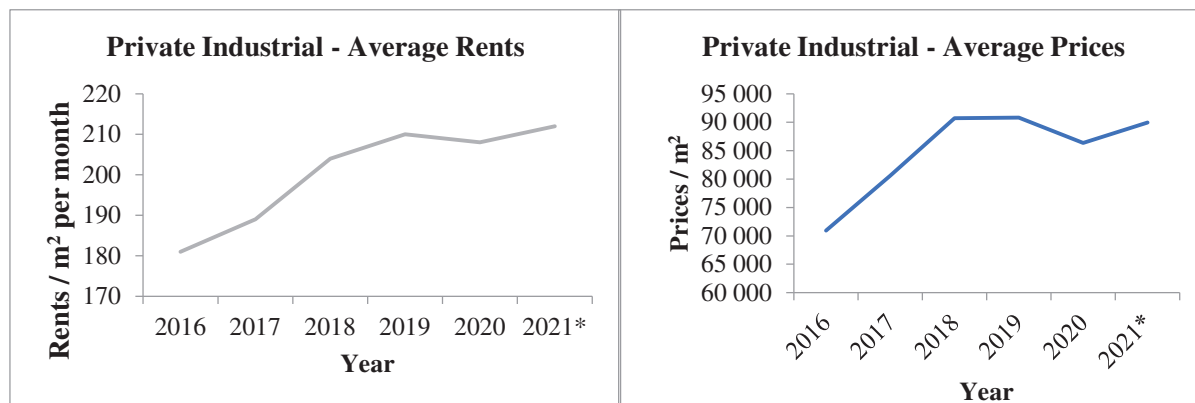


Source: Census and Statistics Department (<https://www.censtatd.gov.hk/>)

According to the annual data as extracted from the Census and Statistics Department of Hong Kong, the year on year percentage changes in the Real GDP decreased from 4.5% in the first quarter of 2018 to as low as negative 9.1% in the first quarter of 2020. Since the first quarter of 2020, the year on year percentage change in the Real GDP has been recovering and rebounded to 8.0% in the first quarter of 2021. Furthermore, according to the press release on 13 August 2021 by the Hong Kong Government (<https://www.info.gov.hk/>), the growth of the Real GDP growth was forecasted to be no less than 5.5% for 2021. Based on the above, we noticed that the Hong Kong economy has been on track for recovery.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Average rental prices and sales prices for private industrial premises in Hong Kong from 2016 to 2021



Note: The averages of the rental price and the sales price figures during the first nine months of 2021 have been applied.

Source: Rating and Valuation Department (<https://www.rvd.gov.hk/>)

According to the Rating and Valuation Department of Hong Kong, the average rental price of industrial premises in Hong Kong increased from approximately HK\$181 per square meter (“m²”) per month in 2016 to approximately HK\$208 per m² per month in 2020 and the average sales price of industrial premises in Hong Kong increased from approximately HK\$70,929 per m² in 2016 to approximately HK\$86,377 per m² in 2020, representing compounded annual growth rates of approximately 3.54% and approximately 5.05% respectively. As illustrated in the graph above, despite of a slight set-back on both the average rental price and the average sales price of industrial premises in Hong Kong in 2020 the rental and sales price of industrial premises have been growing over the years. Given the recovery of the Hong Kong economy as discussed in the previous section and the increase in rental and sales price of industrial premises in Hong Kong, we are of the opinion that the Acquisition of the Properties may provide potential capital appreciation for the Group and the Acquisition would also serve to reduce the Group’s rental expenditure and exposure to rental fluctuation of the market in the long run.

Having considered that (i) it is the Company’s intention to focus on higher-margin products in the Sourcing Business; (ii) the location of the Properties is beneficial for the Group in terms of operation efficiency as it is close to the headquarters of the Company; (iii) the recovery in the Hong Kong economy facilitates the growth in the property market in Hong Kong; (iv) the rental and sales prices of industrial properties in Hong Kong have demonstrated increasing trends since 2020; and (v) the Acquisition 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, we concur with the Directors’ view that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms of the Agreement

Date 11 November 2021 (after trading hours)

Parties

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

Assets to be acquired Pursuant to the Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest.

The 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.

As set out in the Board Letter, 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" in the Board Letter, the Directors (excluding the independent non-executive Directors) consider the Consideration to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Valuation

According to the Valuation Report, the valuation of the Properties (the “**Valuation**”) as at 31 October 2021 (the “**Valuation Date**”) was HK\$101.4 million. In preparing the Valuation Report, the Independent Valuer selected the direct comparison method and the investment method to conclude the Valuation. The Consideration is lower than the Valuation. Please also refer to the Appendix V of the Circular for more information on the Valuation Report.

We have reviewed the Valuation Report, sent out information request lists and held telephone interviews with the Independent Valuer to enquire into the methodology adopted for and the basis and assumptions used in the Valuation. For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer’s qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer to arrive at the Valuation. From the mandate letter and other relevant information provided by the Independent Valuer and based on our telephone interviews with them, we are satisfied with the terms of engagement of the Independent Valuer as well as their qualification and experience for preparation of the Valuation Report. The Independent Valuer also confirmed that they are independent to the Company, the Target Company and the Vendors and their respective associates.

In the course of our discussion with the Independent Valuer, we understand that the Independent Valuer has valued the Properties based on the assumption that the Vendors sell the Properties in the open market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the Properties. We understand from the Independent Valuer that the direct comparison method and the investment method are the most appropriate valuation methods for the Properties as it is commonly used to value standard properties when reliable sales evidence is available and is fully in line with the relevant valuation and market standards for appraising the properties in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Independent Valuer, given that Property A1 and Property A2 are fully leased out as at the Valuation Date, the Independent Valuer has adopted the investment method by making reference to the rental prices of recent market transactions in the property market in Hong Kong, and apply a suitable market yield to determine the valuation of Property A1 and Property A2. For the Valuation of Property A1 and Property A2, the Independent Valuer has identified comparable leases of industrial properties (the “**Property A Comparable Transactions**”) located in the surrounding area of Property A1 and Property A2 (i.e. Kwun Tong Area in Hong Kong) with unit rental prices ranging from approximately HK\$12.27 per square feet per month to approximately HK\$15.12 per square feet per month. We have reviewed the list of the Property A Comparable Transactions identified by the Independent Valuer and understood from the Independent Valuer that the information of the Property A Comparable Transactions is sourced from reputable public sources in the Hong Kong property market which are commonly adopted for the access of information of other lease transactions in the property market in Hong Kong. The Independent Valuer has made relevant adjustments, where necessary, including size, location, floor, layout and timing difference between the transaction date of the comparable transactions and the valuation date. Given that (i) the location of the Property A Comparable Transactions are in the same district of the Property A1 and Property A2; and (ii) the information of the Property A Comparable Transactions are sourced from credible public sources which are commonly adopted for the access of information of other lease transactions in the property market in Hong Kong, we are of the view that the Property A Comparable Transactions are fair and representative for the Independent Valuer’s assessment of the valuation of Property A1 and Property A2. We were given to understand that the Independent Valuer has adopted the average unit rental price of the Property A Comparable Transactions of approximately HK\$13.86 per square feet per month for the valuation of Property A1 and Property A2. The said average unit rental price was then divided by a market yield of 3.25% applied by the Valuer, which is calculated by expressing rental income generated in a year as a percentage of the sale price of the property, to derive the implied unit sale prices of Property A1 and Property A2. Property A1 and Property A2 are valued to be approximately HK\$75,300,000 by the Independent Valuer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Independent Valuer, given that Property B was vacant as at the Valuation Date, the investment method is not applicable for the evaluation of Property B, and therefore, the Independent Valuer has made reference to the sales prices of recent market transactions in the property market in Hong Kong. The Valuation for Property B was conducted by comparing market sales of industrial property interests (the “**Property B Comparable Transactions**”) located in the surrounding area of Property B (i.e. Kwun Tong Area in Hong Kong) with unit sales prices ranging from approximately HK\$4,940 per square feet to approximately HK\$6,790 per square feet. We have reviewed the list of the Property B Comparable Transactions identified by the Independent Valuer and understood from the Independent Valuer that the information of the Property B Comparable Transactions is sourced from a data provider in the property industry in Hong Kong, data of which are primarily sourced from the Land Registry of the Hong Kong government which ensures the accuracy and reliability of the data. The Independent Valuer has made relevant adjustments, where necessary, including size, location, floor, layout and timing difference between the transaction date of the comparable transactions and the valuation date. Given that (i) the location of the Property B Comparable Transactions are in the same district of the Property B; and (ii) the information of the Property B Comparable Transactions are sourced from a data provider in the property industry in Hong Kong which is generally considered as an objective and credible public source and is a commonly adopted source for the access of information of other transactions in the property market in Hong Kong, we are of the view that the Property B Comparable Transactions are fair and representative for the Independent Valuer’s assessment of the valuation of Property B. We were given to understand that the Independent Valuer has adopted the average unit sales price of the Property B Comparable Transactions of approximately HK\$5,810 per square feet for the valuation of Property B, and Property B is valued to be approximately HK\$26,100,000 by the Independent Valuer.

Having considered the above, we are of the view that the valuation methodologies adopted, together with the bases and assumptions, for appraising the Properties are fair and reasonable and the consideration for the Acquisition is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Financial effect of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and their assets, liabilities and results will be consolidated into the financial statements of the Group.

Earnings

As advised by the Company, upon Completion, the Group may save approximately HK\$1.2 million per annum rental related expenses assuming the rental related expense for warehouse and office premises is maintained at the existing level.

The Group also expects that upon Completion there will be an increase in the annual depreciation expenses relating to the Properties of approximately HK\$4.0 million per annum which would be offset in the long run by the combined effect of an annual rental saving of approximately HK\$3.0 million with respect to the Group's current leased warehouse and office and the expected rental expenses to be incurred for additional space of leased warehouse and showroom to cater for the growing businesses of the Group should the Acquisition not proceed. In the short run, the Group's earnings are expected to increase as a result of the additional rental income to be brought by the existing lease of Property A2.

Asset and liabilities

As extracted from the interim report of the Company for the six months ended 30 June 2021, the unaudited consolidated total asset and total liabilities of the Group as at 30 June 2021 were approximately HK\$2,217.95 million and HK\$1,434.94 million respectively. Based on "Unaudited pro forma financial information of the Enlarged Group" as set out in appendix IV of the Circular, assuming Completion had taken place on 30 June 2021, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group as at 30 June 2021 would be approximately HK\$2,233.75 million and HK\$1,447.15 million. Accordingly, the unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June 2021 would be increased from approximately HK\$783.02 million to approximately HK\$786.61 million on a pro forma basis, which was mainly resulted from the consolidation of assets and liabilities of the Target Company and the fact that the Consideration was settled by cash.

It should be noted that the above mentioned financial effects are for illustrative purposes only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion. The actual financial effects may differ and are subject to audit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Acquisition is not in the ordinary course of business of the Group, and as discussed in this letter, the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) for approving the Acquisition.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 25 years of experience in corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 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.waichiholdings.com/>):

- annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 (pages 75 to 166);
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418466.pdf>)
- annual report of the Company for the year ended 31 December 2019 published on 17 April 2020 (pages 76 to 186);
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0417/2020041700692.pdf>)
- annual report of the Company for the year ended 31 December 2020 published on 19 April 2021 (pages 79 to 184); and
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901122.pdf>)
- interim report of the Company for the six months ended 30 June 2021 published on 17 September 2021 (pages 17 to 48).
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0917/2021091700553.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 Enlarged Group including the internally generated funds, the currently available banking facilities and the effects of the Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group had outstanding borrowings of approximately HK\$355.1 million, details of which are set out below:

	<i>HK\$'000</i>
Secured and guaranteed:	
Trust receipts loans	52,025
Bank loans	175,882
Other loans	29,680
Secured and unguaranteed:	
Other loans	7,289
Unsecured and guaranteed:	
Bank loans	61,353
Other loans	17,668
Unsecured and unguaranteed:	
Amount due to a director	<u>11,209</u>
Total	<u><u>355,106</u></u>

Pledge of assets

As at the close of business on 31 October 2021, the Enlarged Group had pledged the following amount of assets to secure the borrowings and lease liabilities of the Enlarged Group:

	<i>HK\$'000</i>
Plant and machineries	30,589
Buildings	172,513
Investment property	31,400
Right-of-use assets	19,897
Financial assets at fair value through profit or loss	7,443
Bank deposits	262,730

Corporate Bond

As at the close of business on 31 October 2021, the Enlarged Group had outstanding corporate bond of approximately HK\$2.0 million, which was unsecured and unguaranteed.

Contingent liabilities

As at the close of business on 31 October 2021, the Enlarged Group did not have any contingent liabilities.

Lease liabilities

As at the close of business on 31 October 2021, the Enlarged Group had current lease liabilities of approximately HK\$6.5 million and non-current lease liabilities of approximately HK\$10.7 million, details of which are set out below:

	<i>HK'000</i>
Secured and guaranteed	1,092
Unsecured and unguaranteed	<u>16,138</u>
Total	<u><u>17,230</u></u>

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2021, the Enlarged 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 purchases 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 2020 (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 ENLARGED GROUP

The Enlarged Group is principally engaged in the design, manufacture and sales of high-quality LED backlight and LED lighting products and sourcing business.

As disclosed in the Company's interim report for the six months ended 30 June 2021 published on 17 September 2021, the unprecedented shortage in semiconductor microchips has shown no signs of easing. In the meantime, the demand for automotive vehicles and electronic gadgets pressure manufacturers to source enough memory chips to sustain their production. Aiming to launch its memory chips testing and packaging business in 2021, the Enlarged Group expects to grasp the opportunities arising from the semiconductor market.

The Enlarged Group has started the silicon wafer grinding and dicing production since June 2021, which is one of the preceding production procedures before the testing and packaging process of manufacturing memory chips. This production facility mainly focuses on the 12 inch silicon wafer which the Enlarged Group believes to be relatively advanced among the peers. Expecting there is strong demand in the market, the Enlarged Group is currently in the process of securing the supply of high quality semiconductor material including the wafers and dies before launching its memory chips testing and packaging business.

The Directors are of the view that the Acquisition, if materialised, would enable the Enlarged Group to facilitate the launch of memory chips testing and packaging business by providing the expanded warehouse and showroom for selling and distribution of semiconductor products.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WAI CHI HOLDINGS COMPANY LIMITED**Introduction**

We report on the historical financial information of Maxtone Electronics Limited (the “**Target Company**”) set out on pages 38 to 57, which comprises the statements of financial position as at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the “**Relevant Period**”) and a summary of significant accounting policies and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages 38 to 57 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Chi Holdings Company Limited (the “**Company**”) dated 10 December 2021 (the “**Circular**”) in connection with the proposed acquisition of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on the Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021 and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2020 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited***Adjustments***

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 38 have been made.

ST Lo & Co.*Certified Public Accountants (Practising)***LO Kit Yin**

Practising certificate number: P05354

Hong Kong

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information is based, were audited by ST Lo & Co., *Certified Public Accountants*, in accordance with Hong Kong Standards on Auditing (“**HKSA**”) issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollar (“**HK\$**”), which is the same as the functional currency of the Target Company.

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended	
					30 September	
	Notes	2019	2020	2021	2020	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Revenue	6	3,023	2,958	2,400	1,221	1,183
Other income	7	98	95	75	68	106
Other gains and losses	8	(643)	(343)	387	5	–
Gain in change in fair value of investment properties		3,500	(5,500)	2,300	2,300	16,100
Administrative expenses		(1,321)	(2,117)	(2,172)	(1,000)	(1,158)
Finance costs	9	(196)	(188)	(80)	(80)	–
Profit/(Loss) before tax	10	4,461	(5,095)	2,910	2,514	16,231
Income tax expense	12	(224)	(108)	(33)	(36)	–
Profit/(Loss) for the year/period		4,237	(5,203)	2,877	2,478	16,231
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive income for the year/period		<u>4,237</u>	<u>(5,203)</u>	<u>2,877</u>	<u>2,478</u>	<u>16,231</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March			As at 30 September	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000
					(Unaudited)	
Non-current assets						
Investment properties	13	96,000	90,500	92,800	92,800	101,400
Property, plant and equipment	14	<u>684</u>	<u>731</u>	<u>607</u>	<u>652</u>	<u>413</u>
		<u>96,684</u>	<u>91,231</u>	<u>93,407</u>	<u>93,452</u>	<u>101,813</u>
Current assets						
Deposits, prepayments and other receivables	15	82	28	76	26	72
Bank balances and cash		<u>5,394</u>	<u>4,912</u>	<u>4,896</u>	<u>4,563</u>	<u>4,914</u>
		<u>5,476</u>	<u>4,940</u>	<u>4,972</u>	<u>4,589</u>	<u>4,986</u>
Current Liabilities						
Accruals and other payables		(88)	(90)	(88)	(367)	(367)
Loan from shareholders	16	(8,260)	(7,752)	–	(7,489)	–
Deposits received		(504)	(421)	(420)	(400)	(357)
Amount due to a director	17	(12,384)	(12,079)	(19,132)	(11,442)	(11,240)
Tax payable		<u>(243)</u>	<u>(351)</u>	<u>(384)</u>	<u>(387)</u>	<u>(249)</u>
		<u>(21,479)</u>	<u>(20,693)</u>	<u>(20,024)</u>	<u>(20,085)</u>	<u>(12,213)</u>
Total current liabilities		<u>(16,003)</u>	<u>(15,753)</u>	<u>(15,052)</u>	<u>(15,496)</u>	<u>(7,227)</u>
Net assets		<u>80,681</u>	<u>75,478</u>	<u>78,355</u>	<u>77,956</u>	<u>94,586</u>
Share capital	18	–	–	–	–	–
Retained earnings		<u>80,681</u>	<u>75,478</u>	<u>78,355</u>	<u>77,956</u>	<u>94,586</u>
Shareholders' funds		<u>80,681</u>	<u>75,478</u>	<u>78,355</u>	<u>77,956</u>	<u>94,586</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY

	Share capital (Note 18) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 March 2018	–	76,444	76,444
Profit and total comprehensive income for the year	<u> </u>	<u>4,237</u>	<u>4,237</u>
At 31 March 2019 and 1 April 2019	–	80,681	80,681
Loss and total comprehensive income for the year	<u> </u>	<u>(5,203)</u>	<u>(5,203)</u>
At 31 March 2020 and 1 April 2020	–	75,478	75,478
Profit and total comprehensive income for the year	<u> </u>	<u>2,877</u>	<u>2,877</u>
At 31 March 2021 and 1 April 2021	–	78,355	78,355
Profit and total comprehensive income for the period	<u> </u>	<u>16,231</u>	<u>16,231</u>
At 30 September 2021	<u> </u>	<u>94,586</u>	<u>94,586</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

STATEMENT OF CASH FLOWS

	As at 31 March			As at 30 September	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Operating activities					
Profit/(Loss) before tax	4,461	(5,095)	2,910	2,514	16,231
Bank interest income	(98)	(91)	(20)	(14)	(6)
Depreciation	77	82	124	79	31
Finance costs	196	188	80	80	–
(Gain)/Loss on change in fair value of investment properties	(3,500)	5,500	(2,300)	(2,300)	(16,100)
Gain on disposals of investment properties and property, plant and equipment	–	–	–	–	(94)
Operating cash flows before movements in working capital	1,136	584	794	359	62
(Decrease)/Increase in deposits, prepayments and other receivables	(57)	54	(48)	2	4
Increase/(Decrease) in accruals and other payables	67	2	(2)	277	279
Increase/(Decrease) in deposits received	2	(83)	(1)	(21)	(63)
Decrease in amount due to a director	(4,455)	(305)	7,053	(637)	(7,892)
Cash used in/(generated from) operations	(3,307)	252	7,796	(20)	(7,610)
Income tax paid	–	–	–	–	(136)
Net cash used in/(generated from) operations	(3,307)	252	7,796	(20)	(7,746)

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

	As at 31 March			As at 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000
				(Unaudited)	
Investing activities					
Acquisition of property, plant and equipment	(5)	(129)	–	–	–
Bank interest income received	98	91	20	14	6
Proceeds from disposals of investment properties and property, plant and equipment	–	–	–	–	7,758
Cash generated from/(used in) investing activities	93	(38)	20	14	7,764
Financing activities					
Loan interest expenses paid	(196)	(188)	(80)	(80)	–
Repayment of loan from shareholders	(497)	(508)	(7,752)	(263)	–
Cash used in financing activities	(693)	(696)	(7,832)	(343)	–
Net (decrease)/increase in cash and cash equivalents	(3,907)	(482)	(16)	(349)	18
Cash and cash equivalents at beginning of the year/period	9,301	5,394	4,912	4,912	4,896
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	5,394	4,912	4,896	4,563	4,914

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. CORPORATE INFORMATION**

The Target Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is 6/F., Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong. The principal activity of the Target Company is property holding.

On 11 November 2021, Wai Chi Holdings Company Limited (the “**Company**”) announced to acquire the entire interest of the Target Company at the consideration of HK\$91.0 million, pursuant to the conditional sale and purchase agreement entered into between Techwide Management Company Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as the purchaser and Ms. YIU Kwan Yu, Mr. YIU Kwan Lok and Ms. YIU Oi Tung, shareholders of the Target Company, as the vendors. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Historical Financial Information has been prepared under the historical cost basis except for investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. The measurement bases are fully described in the accounting policies below in Note 4.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying Target Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

The financial statements have been prepared on a going concern basis because the shareholders of the Target Company have agreed to provide adequate funds to enable the Target Company to meet in full its financial obligation as they fall due for a period of at least twelve months from the end of the reporting period.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRS

The following new/revised HKFRS, potentially relevant to the Historical Financial Information, have been issued, but not yet effective and have not been early adopted by the Target Company. The Target Company's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts and the related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

The Target Company has already commenced an assessment of the impact of these new and revised HKFRS. The directors of the Target Company anticipate that the application of new and revised HKFRS will have no material impact on the result and the financial position of the Target Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4.2 Leasing***The Target Company as lessor***

When the Target Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Target Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Target Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Target Company applies HKFRS 15 to allocate the consideration in the contract.

The Target Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of the revenue.

4.3 Property, plant and equipment

Property is stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property less its residual value over its estimated useful life, using the straight-line method. The estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.4 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amount of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

4.5 Revenue recognition

Revenue from rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is recognised in a time-proportion basis using the effective interest method.

4.6 Taxation

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.7 Foreign currencies

Transactions entered into by the Target Company in currencies other than the functional currency, which is the currency of the primary economic environment in which it operates, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4.8 Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of the investment properties and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.9 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.10 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.11 Related party

- (a) A person or a close member of that person's family is related to the Target Company if that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of key management personnel of the Target Company or the Target Company's parent.
- (b) An entity is related to the Target Company if any of the following conditions apply:
 - (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

In the application of the Target Company's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Target Company have reviewed the Target Company's investment property portfolios and concluded that the Target Company's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Target Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Target Company has not recognised any deferred tax on changes in fair value of investment properties as the Target Company is not subject to any income taxes on the fair value changes of the investment properties on disposal.

5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 13 to the financial statements.

In relying on the valuation reports, the directors of the Target Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, would result in changes in the fair values of the Target Company's investment properties and the corresponding adjustments to the amount of gain or loss reported in the statement of profit or loss and other comprehensive income.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

The directors of the Target Company have performed internal assessment on the risks of change in macroeconomic environment through performing sensitivity analysis in relation to the Target Company's investment properties.

The carrying amounts of the Target Company's investment properties as at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021 were HK\$96.0 million, HK\$90.5 million, HK\$92.8 million and HK\$101.4 million, respectively.

6. REVENUE

An analysis of the Target Company's revenue is as follows:

	Year ended 31 March			Six months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Rental income	<u>3,023</u>	<u>2,958</u>	<u>2,400</u>	<u>1,221</u>	<u>1,183</u>

7. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Bank interest income	98	91	20	14	6
Gain on disposals of investment properties	–	–	–	–	94
Miscellaneous income	<u>–</u>	<u>4</u>	<u>55</u>	<u>54</u>	<u>6</u>
	<u>98</u>	<u>95</u>	<u>75</u>	<u>68</u>	<u>106</u>

8. OTHER GAINS AND LOSSES

	Year ended 31 March			Six months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Exchange loss/(gain), net	<u>(643)</u>	<u>(343)</u>	<u>387</u>	<u>5</u>	<u>–</u>

9. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Interests on loan from shareholders	<u>196</u>	<u>188</u>	<u>80</u>	<u>80</u>	<u>–</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

10. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging the following items:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Auditor's remuneration	9	29	12	–	–
Depreciation	<u>77</u>	<u>82</u>	<u>124</u>	<u>79</u>	<u>30</u>

11. DIRECTORS' REMUNERATIONS

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

(a) Directors' remunerations

There were no directors' remunerations for the years ended 31 March 2019, 31 March 2020, 31 March 2021 and the six months ended 30 September 2021.

(b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Target Company that were entered into or subsisted during the year ended 31 December 2018, 2019 and 2020.

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Target Company's business to which the Target Company was a party and in which any of the directors of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2019, 31 March 2020, 31 March 2021 and the six months ended 30 September 2021.

12. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current tax	<u>224</u>	<u>108</u>	<u>33</u>	<u>36</u>	<u>–</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

The income tax expense for the year/period can be reconciled from the profit/(loss) before tax per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Profit/(Loss) before tax	4,461	(5,093)	2,910	2,512	16,230
16.5% thereof	737	(840)	481	415	2,678
Non-assessable income	(594)	(15)	(446)	(382)	(2,658)
Non-deductible expenses	114	995	13	13	–
Unrecognised tax loss	–	–	–	–	1
Unrecognised temporary differences	(13)	(12)	(5)	–	(21)
Tax wavier	(20)	(20)	(10)	(10)	–
	224	108	33	36	–

13. INVESTMENT PROPERTIES

	As at 31 March			As at 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Fair value					
At beginning of the year/period	92,500	96,000	90,500	92,800	92,800
Increase/(Decrease) in fair value	3,500	(5,500)	2,300	–	16,100
Disposals	–	–	–	–	(7,500)
At end of the year/period	96,000	90,500	92,800	92,800	101,400

The Target Company leased out investment properties under operating lease with rentals payable monthly.

All of the Target Company's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and are classified and accounted for as investment properties. All of these investment properties are located in Hong Kong.

The fair values of the Target Company's investment properties as at 31 March 2019, 31 March 2020 and 31 March 2021 have been arrived at based on a valuation carried out by the directors using market comparable approach that reflects recent transaction prices for similar properties in the relevant locations.

The fair value of the Target Company's investment properties as at 30 September 2021 has been arrived at on the basis of valuation carried out by Peak Vision Appraisals Limited, which is a firm of independent qualified valuers not connected with the Target Company, and they have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost			
At 31 March 2018	256	867	1,123
Additions	—	5	5
At 31 March 2019 and 1 April 2019	256	872	1,128
Additions	—	129	129
At 31 March 2020 and 1 April 2020, 31 March 2021 and 1 April 2021	256	1,001	1,257
Disposals	(49)	(275)	(324)
At 30 September 2021	207	726	933
Accumulated depreciation			
At 31 March 2018	(145)	(222)	(367)
Charge for the year	(42)	(35)	(77)
At 31 March 2019 and 1 April 2019	(187)	(257)	(444)
Charge for the year	(42)	(40)	(82)
At 31 March 2020 and 1 April 2020	(229)	(297)	(526)
Charge for the year	(20)	(104)	(124)
At 31 March 2021 and 1 April 2021	(249)	(401)	(650)
Charge for the period	(7)	(24)	(31)
Written-back on disposals	49	112	161
At 30 September 2021	(207)	(313)	(520)
Net book value			
At 31 March 2018	111	645	756
At 31 March 2019	69	615	684
At 31 March 2020	27	704	731
At 31 March 2021	7	600	607
At 30 September 2021	—	413	413

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life, as follows:

Leasehold improvements	5%
Office equipment	20%

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March			As at 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Deposits	5	5	72	5	72
Prepayments	77	17	3	21	–
Other receivables	–	6	1	–	–
	<u>82</u>	<u>28</u>	<u>76</u>	<u>26</u>	<u>72</u>

16. LOAN FROM SHAREHOLDERS

	As at 31 March			As at 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Ms. YIU Kwan Yu	1,652	1,550	–	1,498	–
Mr. YIU Kwan Lok	4,956	4,652	–	4,493	–
Ms. YIU Oi Tung	1,652	1,550	–	1,498	–
	<u>8,260</u>	<u>7,752</u>	<u>–</u>	<u>7,489</u>	<u>–</u>

17. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest-free and has no fixed terms of repayment.

18. SHARE CAPITAL

	Number	Amount HK\$
Issued and fully paid-up ordinary shares		
As at 1 April 2018, 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021	<u>100</u>	<u>100</u>

19. RELATED PARTY TRANSACTIONS

(a) Balance with related parties

Apart from the related party balances disclosed elsewhere in this report, the Target Company has no other related party balance as at the end of each reporting period.

(b) Key management compensation

There is no remuneration paid for the directors and other members of key management personnel during the years ended 31 March 2019, 31 March 2020, 31 March 2021 and the six months ended 30 September 2021.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

20. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged from prior years.

The capital structure of the Target Company consists of net debts, which include loan from shareholders and amount due to a director net of bank balances and cash, and equity attributable to owners of the Target Company, comprising share capital and retained earnings.

The directors review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The net debt-to-equity ratio at the end of 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021 are as follows:

	As at 31 March			As at 30 September	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Loan from shareholders	8,260	7,752	–	7,489	–
Amount due to a director	12,384	12,079	19,132	11,442	11,240
Less: Bank balances and cash	(5,394)	(4,912)	(4,896)	(4,563)	(4,914)
Net debt	<u>15,250</u>	<u>14,919</u>	<u>14,236</u>	<u>14,368</u>	<u>6,326</u>
Equity	<u>80,681</u>	<u>75,478</u>	<u>78,355</u>	<u>77,956</u>	<u>94,586</u>
Net debt-to-equity ratio	<u>0.19</u>	<u>0.20</u>	<u>0.18</u>	<u>0.18</u>	<u>0.07</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

21. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March			As at 30 September	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Financial assets					
At amortised cost:					
Deposits	5	5	72	5	72
Other receivables	–	6	1	–	–
Bank balances and cash	5,394	4,912	4,896	4,563	4,914
	<u>5,399</u>	<u>4,923</u>	<u>4,969</u>	<u>4,568</u>	<u>4,986</u>
Financial liabilities					
At amortised cost:					
Accruals and other payables	88	90	88	367	367
Loan from shareholders	8,260	7,752	–	7,489	–
Deposits received	504	421	420	400	357
Amount due to a director	12,384	12,079	19,132	11,442	11,240
	<u>21,236</u>	<u>20,342</u>	<u>19,640</u>	<u>19,698</u>	<u>11,964</u>

The directors of the Target Company considered that the carrying amounts of financial assets and financial liabilities are approximate to their fair value.

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include deposits, other receivables, bank balances and cash, accruals and other payables, loan from shareholders, deposits received and amount due to a director. The details of these financial instruments are disclosed in respective notes.

Exposure to credit, currency and liquidity risks arises in the normal course of the Target Company's business. The Target Company is not exposed to significant interest rate risk as it has no interest-bearing financial instruments with variable interest rates except for bank balances.

The policies on financial instruments risks and how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Company's overall strategy remains unchanged from prior years.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET COMPANY

(i) Foreign currency risk

Foreign currency risk is the risk that the holding of foreign currency assets will affect the Target Company's financial position as a result of a change in foreign currency exchange rates. The carrying amounts of the Target Company's major foreign currency denominated monetary asset at the end of each reporting period is as follows:

	As at 31 March			As at 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Assets					
RMB	<u>5,169</u>	<u>4,910</u>	<u>4,827</u>	<u>4,439</u>	<u>4,833</u>

As at the end of each of the reporting period, the currency giving rise to foreign currency risk was primarily RMB.

The following table demonstrates the sensitivity analysis on how changes in the carrying amounts of significant outstanding monetary assets denominated in RMB at the end of each reporting period if there was a reasonably possible change in the exchange rate of RMB against HK\$, with all other variables held constant, affect the Target Company's post-tax profit and equity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Year ended 31 March			Six months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Unaudited)	2021 HK\$'000
Increase in post-tax profit and equity if HK\$ weakens against RMB by 5%	258	246	241	222	242
Decrease in post-tax profit and equity if HK\$ strengthens against RMB by 5%	<u>(258)</u>	<u>(246)</u>	<u>(241)</u>	<u>(222)</u>	<u>(242)</u>

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the end-of-reporting-period exposures do not reflect the exposure during the year ended 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021.

(ii) Credit risk

The Target Company's maximum exposure to credit risk is the carrying amounts of bank balances, deposits and other receivables.

Credit risk on bank balances is mitigated as cash is deposited in a bank in Hong Kong of high credit rating.

Deposits and other receivables are monitored on an ongoing basis and the Target Company's exposure to bad debts, in the opinion of the directors, is not significant.

(iii) Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Target Company's operations.

All financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as they are with maturities within one year at the end of the reporting period.

(iv) Fair values of financial instruments

The carrying amounts of the Target Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at the end of the reporting period.

APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 March 2019, 2020 and 2021, and the six months ended 30 September 2021 (the “**Relevant Period**”), for the purpose of this Appendix only.

BUSINESS REVIEW

The Target Company is principally engaged in property holding and property leasing business in Hong Kong, and was incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, the investment properties held by the Target Company are two industrial premises in Hong Kong located at (1) 6/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong; and (2) Factory Unit C on 2/F., King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

RESULTS OF OPERATIONS

Set out below is the key financial information of the Target Company during the Relevant Period:

	Year ended 31 March			Six months ended
	2019	2020	2021	30 September 2021
	(audited)	(audited)	(audited)	(audited)
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3,023	2,958	2,400	1,183
Other income	98	95	75	106
Other gains and losses	(643)	(343)	387	–
Gain/(loss) on change in fair value of investment properties	3,500	(5,500)	2,300	16,100
Administrative expenses	(1,321)	(2,117)	(2,172)	(1,158)
Finance costs	(196)	(188)	(80)	–
Profit/(loss) before tax	4,461	(5,095)	2,910	16,231
Income tax expense	(224)	(108)	(33)	–
Profit/(loss) after tax	<u>4,237</u>	<u>(5,203)</u>	<u>2,877</u>	<u>16,231</u>

FINANCIAL REVIEW

Revenue

During the Relevant Period, the revenue recorded by the Target Company was approximately HK\$3.0 million, HK\$3.0 million, HK\$2.4 million and HK\$1.2 million respectively, which was rental income generated from the tenancy of the investment properties held by the Target Company during the Relevant Period. The decrease in revenue during the year ended 31 March 2021 was mainly due to the lapse of one of the tenancies.

The rental income generated from the investment property previously held by the Target Company and sold to an independent third party in September 2021 was approximately HK\$247,000, HK\$257,000, HK\$266,000 and HK\$126,000, respectively, during the Relevant Period.

Other income

During the Relevant Period, other income recorded by the Target Company was approximately HK\$98,000, HK\$95,000, HK\$75,000 and HK\$106,000 respectively. The other income mainly represents bank interest income on the fixed deposit.

Other gains and losses

During the Relevant Period, other gains and losses recorded by the Target Company was approximately a loss of HK\$643,000, a loss of HK\$343,000, a gain of HK\$387,000 and HK\$nil, respectively. The other gains and losses mainly represent exchange differences, the fluctuation of which was mainly resulted from the fixed deposit denominated in RMB during the Relevant Period.

Gain/(loss) on change in fair value of investment properties

During the Relevant Period, the change in fair value of investment properties recorded by the Target Company was a gain of HK\$3.5 million, a loss of HK\$5.5 million, a gain of HK\$2.3 million and a gain of HK\$16.1 million, respectively, which was derived from the change in fair value of the investment properties as at 31 March 2019, 2020 and 2021 and 30 September 2021.

Administrative expenses

During the Relevant Period, the administrative expenses recorded by the Target Company were approximately HK\$1.3 million, HK\$2.1 million, HK\$2.2 million and HK\$1.2 million, respectively, which mainly include staff costs, car rental expense, government rates and building management fees for the investment properties. The increase in the administrative expenses during the year ended 31 March 2020 was mainly attributable to the increase in car rental expense for directors' local travelling and the general increase in building management fees for the investment properties.

Finance costs

During the Relevant Period, finance costs recorded by the Target Company was approximately HK\$196,000, HK\$188,000, HK\$80,000 and HK\$ nil, respectively. The finance costs mainly represent interest expense on loan from the shareholders. The decrease in the finance costs during the year ended 31 March 2021 was mainly due to the settlement of the loan from the shareholders in October 2020.

Income tax expense

During the Relevant Period, the income tax expense recorded by the Target Company was approximately HK\$224,000, HK\$108,000, HK\$33,000 and HK\$ nil, respectively. For the six months ended 30 September 2021, the Target Company did not generate assessable profits and therefore no tax provision has been made mainly due to most of its income was derived from gain on change in fair value of investment properties, which is capital in nature.

Profit/(loss) for the year/period

During the Relevant Period, the Target Company recorded approximately a net profit of HK\$4.2 million, a net loss of HK\$5.2 million, a net profit of HK\$2.9 million and a net profit of HK\$16.2 million, respectively. The loss for the year ended 31 March 2020 was mainly due to the loss on change in fair value of the investment properties.

Dividend paid

During the Relevant Period, the Target Company did not declare or pay any dividends.

Liquidity and financial resources

The current ratio of the Target Company, calculated as current assets divided by current liabilities, as at 31 March 2019, 2020 and 2021 and 30 September 2021 was approximately 0.3, 0.2, 0.3 and 0.4, respectively. The bank balances and cash of the Target Company as at 31 March 2019, 2020 and 2021 and 30 September 2021 was approximately HK\$5.4 million, HK\$4.9 million, HK\$4.9 million and HK\$4.9 million, respectively, which mainly include a fixed deposit denominated in RMB placed at a bank in Hong Kong.

Gearing ratio

The gearing ratio of the Target Company was calculated by the total debts divided by the total equity as at the end of each financial year/period and multiplied by 100%. The gearing ratio as at 31 March 2019, 2020 and 2021 and 30 September 2021 was approximately 25.6%, 26.3%, 24.4% and 11.9%, respectively. The decrease in gearing ratio as at 30 September 2021 was due to partial repayment of the amount due to a director amounting to approximately HK\$7.8 million upon the disposal of one of the investment properties held by the Target Company.

Charges on assets

The Target Company provided the investment properties to bank(s) as security for banking facilities for the Group's business operation as at 31 March 2021 and 30 September 2021.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Relevant Period, the Target Company did not have any significant investments or material acquisitions. The Target Company sold one of its investment properties in September 2021 for approximately HK\$7.8 million.

SEGMENTAL INFORMATION

The operation of the Target Company represents a single operating and reportable segment, which is property investment. As such, there is no segment information available for the Relevant Period.

CAPITAL STRUCTURE

During the Relevant Period, the Target Company's capital structure comprises earnings from leases of the investment properties, loan from shareholders, and amount due to a director. The Target Company finances its operations and activities primarily by rental income generated from the tenancy of the investment properties subsisted during the Relevant Period.

FOREIGN EXCHANGE EXPOSURE

The Target Company's income is denominated in Hong Kong dollar. Save for the fixed deposit placed at a bank in Hong Kong, the Target Company's monetary assets and liabilities are denominated in Hong Kong dollar. As at the Latest Practicable Date, the Target Company did not have a foreign currency hedging policy.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 31 March 2019, 2020 and 2021 and 30 September 2021, the Target Company had contingent liabilities of approximately HK\$92.8 million and HK\$76.0 million, respectively mainly because the Target Company provided the investment properties to bank(s) as security for banking facilities for the Group's business operation as at 31 March 2021 and 30 September 2021.

As at 31 March 2019, 2020 and 2021 and 30 September 2021, the Target Company did not have any capital commitments.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Target Company had no plan for material investments or capital assets or significant disposals as at 31 March 2019, 2020 and 2021 and 30 September 2021.

NUMBER OF EMPLOYEES

Given the size and scale of the operation of the Target Company, the Target Company has only one employee during the Relevant Period.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”), which has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition on the Group, as if it had taken place on 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared based on:

- (a) the unaudited consolidated statement of financial position of the Group as at 30 June 2021 as set out in the Company’s published interim report 2021 dated 17 September 2021;
- (b) the audited statement of financial position of the Target Company as at 30 September 2021, which have been extracted from Appendix II to this circular; and
- (c) the unaudited pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information.

Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Proposed Acquisition been completed as at 30 June 2021, nor purport to predict the Enlarged Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published interim report 2021 of the Company for the six months ended 30 June 2021 and other financial information included elsewhere in this circular.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2021, where applicable, or any future date.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Group and the financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2021 <i>HK\$'000</i> <i>(Note 1)</i> (Unaudited)	The Target Company as at 30 September 2021 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 3)</i> <i>(Note 4)</i>		The Enlarged Group <i>HK\$'000</i>
Non-current assets					
Investment properties	–	101,400		(70,000)	31,400
Property, plant and equipment	297,065	413		70,000	367,478
Right-of-use assets	60,394	–			60,394
Deposit paid for acquisition of property, plant and equipment	6,009	–			6,009
Deferred tax asset	8,406	–			8,406
Deposits with bank	180,271	–			180,271
Financial assets at fair value through profit or loss	3,510	–			3,510
Financial assets at fair value through other comprehensive income	10,374	–			10,374
	<u>566,029</u>	<u>101,813</u>			<u>667,842</u>
	-----	-----			-----
Current assets					
Inventories	324,193	–			324,193
Trade receivables	602,799	–			602,799
Bills receivables	162,061	–			162,061
Prepayments, deposits and other receivables	209,221	72			209,293
Pledged bank deposits	244,464	–			244,464
Cash and bank balances	109,187	4,914	(91,000)		23,101
	<u>1,651,925</u>	<u>4,986</u>			<u>1,565,911</u>
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**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 30 June 2021 <i>HK\$'000</i> <i>(Note 1)</i> (Unaudited)	The Target Company as at 30 September 2021 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 3)</i> <i>(Note 4)</i>		The Enlarged Group <i>HK\$'000</i>
Current Liabilities					
Trade payables	405,589	–			405,589
Bills payables	511,379	–			511,379
Other payables and accruals	41,952	724			42,676
Contract liabilities	16,780	–			16,780
Bank and other borrowings	410,568	–			410,568
Amount due to a director	–	11,240			11,240
Lease liabilities	9,249	–			9,249
Income tax payables	5,842	249			6,091
	1,401,359	12,213			1,413,572
Net current assets/(liabilities)	250,566	(7,227)			152,339
Total assets less current liabilities	816,595	94,586			820,181
Non-current liabilities					
Lease liabilities	12,590	–			12,590
Corporate bond	1,995	–			1,995
Government grants	18,610	–			18,610
Deferred tax liability	381	–			381
	33,576	–			33,576
Net assets	783,019	94,586			786,605

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2021 set out on pages 19 to 20 of published interim report 2021 of the Company.
2. The amounts are extracted from statement of financial position of the Target Company (as defined in the circular) as set out in Appendix II to this circular.
3. Pursuant to the Agreement, the Group conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Interest at the consideration of HK\$91.0 million.

The Target Company is a property holding company established for the holding of the Properties. Under Hong Kong Financial Reporting Standard 3 (Revised) (“**HKFRS 3**”) “Business Combination”, a business consists of inputs and processes applied to those inputs that have the ability to create outputs. In view of the fact that the Target Company does not have any processes to its business, the assets acquired and liabilities assumed from the Target Company do not constitute a business as defined in HKFRS 3 and, as a result, the Acquisition will be accounted for as asset acquisition of the Target Company, and such a transaction does not give rise to goodwill.

In accordance with HKFRS 3, the fair value of the Properties should be measured at their fair value upon Completion. As such, the fair value of the Properties is subject to change. For the purpose of this Unaudited Pro Forma Financial Information, reference is made to the capital value of the Properties as at 31 October 2021 from the property valuation report on the Properties as set out in Appendix V to this circular.

4. The adjustment represents the reclassification of Property A1 and Property B of HK\$70,000,000 from investment properties to property, plant and equipment in accordance with Hong Kong Accounting Standard 16 Property, Plant and Equipment as Property A1 and Property B will be held for administrative purposes upon Completion. Property A2 will continue to be an investment property of the Enlarged Group until the expiry of the tenancy agreement entered into between the Target Company and UMEC Company Limited.
5. No adjustment has been made to the unaudited pro forma financial information for acquisition-related costs (including fees to legal advisers, reporting accountants, printers, taxes and levies and other expenses) as the Directors determined that such costs are insignificant.
6. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 30 June 2021 and 30 September 2021, respectively.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Wai Chi Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Chi Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), together with Maxtone Electronics Limited (the “**Target Company**”) (collectively the “**Enlarged Group**”) by the directors of the Company for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2021 and related notes as set out on pages 62 to 65 of Appendix IV of the Company’s circular dated 10 December 2021 (the “**Circular**”) in connection with the proposed acquisition of the entire issued share capital of the Target Company (the “**Acquisition**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 62 to 65 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Company’s consolidated assets and liabilities as at 30 June 2021 as if the Acquisition had taken place at 30 June 2021. As part of this process, information about the Company’s consolidated assets and liabilities as of 30 June 2021 has been extracted by the directors of the Company from the Company’s interim report for the six months ended 30 June 2021, on which no audit or review report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with Rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2021 would have been as presented.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Company; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

ST Lo & Co.

Certified Public Accountants (Practising)

Hong Kong

The following is the text of a letter, summary of values and property valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Properties as at 31 October 2021.



Unit 702, 7th Floor, Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

10 December 2021

The Board of Directors
Wai Chi Holdings Company Limited
6th Floor, Liven House
63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instruction from Wai Chi Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for us to value the properties located in Hong Kong Special Administrative Region (“**Hong Kong**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of such properties as at 31 October 2021 (the “**Valuation Date**”) for public documentation purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigations which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the properties, which are to be held for owner occupation by the Group in Hong Kong, we have adopted the Direct Comparison Method assuming each of the properties is capable of being sold in its existing state and by making reference to comparable sales evidence as available in the relevant markets or, where appropriate, the Investment Method by taking into account the current rent passing and the reversionary income potential of each of the properties.

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the value if the properties are to be offered for sale at the same time as a portfolio.

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation. In addition, we have not considered any option or right of pre-emption, which would concern or affect sales of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have caused title searches to be made at the Land Registry of Hong Kong in respect of the properties. However, we have not searched the original documents to verify the ownership or to ascertain the existence of any amendments.

In valuing the properties located in Hong Kong, of which the Government Lease has expired before 30 June 1997, we have taken into account the provisions contained in the Basic Law of the Hong Kong Special Administrative Region and the New Territories Leases (Extension) Ordinance 1988 that such lease has been extended without any additional payment of premium until 30 June 2047 and that an annual rent equivalent to three per cent of the rateable value of the properties will be charged from the date of extension.

The properties were inspected during November 2021 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of properties in Hong Kong and abroad. We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the floor areas of the properties but have assumed that the floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, tenancy agreements and floor areas and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Group has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the properties, we have complied with all the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2020 Edition issued by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2020) published by the International Valuation Standards Council, and under generally accepted valuation procedures and practices.

Our valuation has been prepared based on the economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world, it is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty such that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over a short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the values of the properties after the Valuation Date.

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars (HK\$).

We hereby confirm that we have no material connection or involvement with the Group, the properties, or the values reported herein and that we are in a position to provide an objective and unbiased valuation.

Our Summary of Values and property valuation report are enclosed herewith.

Yours faithfully,

For and on behalf of

Peak Vision Appraisals Limited

Nick C. L. Kung

MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA

Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and abroad.

Summary of Values

		Capital value in existing state as at 31 October 2021
Property		
1	Factory Unit C on 2 nd Floor, King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon Hong Kong	HK\$26,100,000
2	The whole of 6 th Floor, Liven House, Nos. 61-63 King Yip Street, Kwun Tong, Kowloon Hong Kong	HK\$75,300,000
		<hr/>
Total:		<u>HK\$101,400,000</u>

Property Valuation Report

				Capital value in existing state as at 31 October 2021
	Property	Description and tenure	Particulars of occupancy	
1	Factory Unit C on 2 nd Floor, King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon Hong Kong	King Yip Factory Building is a 14-storey industrial building, completed in about 1977. It is located on the northwestern side of King Yip Street near its junction with Hing Yip Street within Kwun Tong, Kowloon.	As advised by the Group, as at the Valuation Date, the property was vacant.	HK\$26,100,000
	15/640 th equal and undivided shares of and in Kun Tong Inland Lot No. 70	<p>The property comprises a factory unit on the 2nd Floor of the building, with a gross floor area of approximately 5,340 sq.ft. (496.10 sq.m.) and a saleable area of approximately 4,490 sq.ft. (417.13 sq.m.).</p> <p>Kun Tong Inland Lot No. 70 is held under a Government Lease for a term of 21 years from 1 July 1955 renewed for a further term of 21 years which has been statutorily extended to 30 June 2047.</p> <p>The government rent payable for the property is an amount equal to 3% of the rateable value from time to time of the property.</p>		

Notes:

- i) According to the Land Registry Search conducted on 1 November 2021, the property is subject to the following encumbrances:
 - a) The registered owner of the property is Maxtone Electronics Limited vide Memorial No. 10072703170015 dated 13 May 2010 for a consideration of HK\$7,262,400.
 - b) Legal Charge/Mortgage in favour of Citibank, N.A. to secure all moneys in respect of general banking facilities to an unlimited amount vide Memorial No. 20111102020028 dated 4 November 2020.
- ii) The property is zoned as “Other Specified Uses (Business)” under Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/23 dated March 2021.
- iii) In our valuation, we have adopted market unit rate of approximately HK\$5,810 per sq.ft on saleable area basis for the property.

We have made reference to sales transaction comparables in the vicinity. The market sale transaction comparables are about HK\$4,940 to HK\$6,790 per sq.ft. on saleable area basis. The unit rate adopted by us is consistent with the said sale transaction references after due adjustments. Due adjustments to those sales transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

Property Valuation Report

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2021
2	The whole of 6 th Floor, Liven House, Nos. 61-63 King Yip Street, Kwun Tong, Kowloon Hong Kong	Liven House is a 13-storey industrial building, completed in about 1978. It is located on the northwestern side of King Yip Street at the section between Hing Yip Street and Shing Yip Street within Kwun Tong, Kowloon.	As advised by the Group, as at the Valuation Date, the property was subdivided into 2 units (6A and 6B) and fully let at a total monthly rent of HK\$179,500 inclusive of Government rent, rates and management fee with the latest expiring on 15 May 2023 for warehouse and ancillary office uses. Details of the tenancy agreements. (<i>See Notes ii) and iii) below</i>)	HK\$75,300,000
	155/2,240 th equal and undivided shares of and in Kun Tong Inland Lot No. 67	The property comprises the whole of the 6 th Floor of the building, with a gross floor area of approximately 14,799 sq.ft. (1,374.86 sq.m.) and a saleable area of approximately 12,333 sq.ft. (1,145.76 sq.m.). Kun Tong Inland Lot No. 67 is held under a Government Lease for a term of 21 years from 1 July 1955 renewed for a further term of 21 years which has been statutorily extended to 30 June 2047. The government rent payable for the property is an amount equal to 3% of the rateable value from time to time of the property.		

Notes:

- i) According to the Land Registry Search conducted on 1 November 2021, the property is subject to the following encumbrances:
 - a) The registered owner of the property is Maxtone Electronics Limited vide Memorial No. 06022400770026 dated 15 February 2006 for a consideration of HK\$10,385,000.
 - b) Superseding Order No. "UBCSI/03-45/0018/11" by the Building Authority under Section 24(1) of the Buildings Ordinance with plan vide Memorial No. 16071900870597 dated 11 April 2016.
 - c) Deed of Mortgage in favour of O-Bank Co., Ltd. to secure all sums of money in respect of general banking facilities vide Memorial No. 18011901740034 dated 20 December 2017.
 - d) Rentals Assignment in favour of O-Bank Co., Ltd. vide Memorial No. 18011901740047 dated 20 December 2017.
- ii) Pursuant to the tenancy agreement entered into between Maxtone Electronics Limited and Wai Chi Opto Technology Limited, an indirect wholly-owned subsidiary of the Company dated 4 March 2021, Unit 6A of the property with a gross floor area of approximately 8,500 sq.ft (789.67 sq.m.) was subject to a tenancy for a term of 2 years from 1 April 2021 to 31 March 2023 at a monthly rental of HK\$98,500, inclusive of Government rent, rates and management fee.
- iii) Pursuant to the tenancy agreement entered into between Maxtone Electronics Limited and UMEC Company Limited dated 4 May 2021, Unit 6B of the property with a gross floor area of approximately 6,299 sq.ft (585.19 sq.m.) was subject to a tenancy for a term of 2 years, the first year from 16 May 2021 to 15 May 2022 at a monthly rental of HK\$81,000 and the second year from 16 May 2022 to 15 May 2023 will be adjusted to prevailing market rent, both inclusive of Government rent, rates and management fee.

- iv) The property is zoned as “Other Specified Uses (Business)” under Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/23 dated March 2021.
- v) In our valuation, we have adopted average market rent of approximately HK\$16.63 per sq.ft/month on saleable area basis for the property. The market yield of the property is about 3.25%.

We have made reference to monthly rental transaction comparables in the vicinity. The market rental transaction comparables are about HK\$14.72 to HK\$18.15 per sq.ft/month on saleable area basis. The unit rates adopted by us are consistent with the said sale transaction references after due adjustments. Due adjustments to those market rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

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 Directors' 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 the shares 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 2020 (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 Enlarged 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 Enlarged Group was engaged in any litigation or arbitration or claims of material importance to the Enlarged Group and no litigation, arbitration or claims of material importance to the Enlarged Group was known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

8. MATERIAL CONTRACTS

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

- (i) The Agreement;
- (ii) the conditional sale and purchase agreement dated 11 November 2020 entered into between Wai Chi Huizhou and Victoria Ultra Business Co., Ltd. in relation to the acquisition of equipment at the total consideration of approximately USD5.9 million; and

- (iii) 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. QUALIFICATIONS AND CONSENT OF EXPERTS

The following is the qualifications of the experts who have given their opinion and advice which are included in this circular:

Name	Qualifications
Veda Capital Limited	a corporation licensed by the Securities and Futures Commission to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
ST LO & Co.	Certified Public Accountants
Peak Vision Appraisals Limited	Independent Valuer

As at the Latest Practicable Date, each of the above-mentioned experts is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above-mentioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report given as of the date of this Circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above-mentioned experts does not have any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest audited consolidated accounts of the Company have been made up) been acquired or disposed of by or leased to or by any member of the Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Group.

10. 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.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<https://www.waichiholdings.com>) from the date of this circular up to and including the date of EGM:

- (i) the Agreement;
- (ii) the accountants' report on the Target Company as set out in Appendix II to this circular;
- (iii) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (iv) the property valuation report on the Properties as set out in Appendix V to this circular;
- (v) the written consents from the Independent Financial Adviser, ST LO & Co. and Independent Valuer referred to in the paragraph headed "Qualifications and Consent of Experts" in this appendix; and
- (vi) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

NOTICE OF EGM

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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Wai Chi Holdings Company Limited (the “**Company**”) will be held at 11th Floor, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional sale and purchase agreement dated 11 November 2021 (the “**Agreement**”) entered into between Techwide Management Company Limited (the “**Purchaser**”) and Ms. Yiu Kwan Yu, Mr. Yiu Kwan Lok and Ms. Yiu Oi Tung (the “**Vendors**”) in relation to the acquisition (the “**Acquisition**”) by the Purchaser of the sale interest (the “**Sale Interest**”) in Maxtone Electronics Limited (the “**Target Company**”) from the Vendors, a copy of which has been produced to the meeting and signed by the chairman of the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification, and that all the transactions in relation to the Acquisition contemplated thereunder be and they are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) the directors (the “**Directors**”) of the Company be and are hereby authorized to exercise all the powers of the Company to perform all such acts, deeds and things and execute all documents and to take all steps and/or to enter into any transactions, arrangements, contracts, supplemental agreements as they consider necessary, desirable or expedient to effect and implement and/or to give effect to the terms of the Agreement, the Acquisition and the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the Directors) and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers which are not material in the context of the entire Acquisition as a whole. For the avoidance of doubt, all such acts, deeds and things and such documents to be performed or executed are limited to acts, deeds, things, documents, transactions, arrangements, contracts, and supplemental agreements that are ancillary or giving effect to the Agreement, the Acquisition and the transactions contemplated thereunder and are not inconsistent with the purpose thereof as may be approved by the Directors.”

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

10 December 2021

Notes:

1. All resolutions at the extraordinary general meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.waichiholdings.com in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy can vote on a poll. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. Where there are joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the extraordinary general meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the extraordinary general meeting or any adjournment thereof, and in such event, the authority of the member’s proxy shall be deemed to be revoked.

NOTICE OF EGM

6. For the purpose of determining members who are qualified for attending the extraordinary general meeting, the register of members of the Company will be closed from Wednesday, 22 December 2021 to Tuesday, 28 December 2021, both days inclusive, during which no transfer of Shares will be effected. In order to qualify for attending the extraordinary general meeting, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 December 2021.

As at the date of this notice of EGM, 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.