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Guan Chao Holdings Limited

冠轆控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1872)

(1) FORMATION OF JOINT VENTURE AND (2) DISCLOSEABLE TRANSACTION IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE TO A JOINT VENTURE

FORMATION OF THE JOINT VENTURE

The Board is pleased to announce that, on 17 January 2025 (after trading hours), the Company and AlphaMind AI, a wholly owned subsidiary of the Company, entered into the Investment Agreement with Reabon Tech in relation to, among other things, the establishment of the Joint Venture.

THE PROVISION OF FINANCIAL ASSISTANCE

Pursuant to the Investment Agreement, AlphaMind AI will provide the Joint Venture with a loan totaling RMB33 million. The loan will have an annual interest rate of 2% and a repayment term of 5 years. The principal amount and any accrued interest will be repaid in full at the end of the term.

LISTING RULES IMPLICATIONS

As all application percentage ratios (as defined in the Listing Rules) in respect of the establishment of the Joint Venture are below 25%, the formation of the Joint Venture does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

However, as one or more applicable percentage ratios (as defined in the Listing Rules) in respect of the provision of financial assistance under the Investment Agreement exceeds 5% but is less than 25%, the provision of financial assistance under the Investment Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and therefore, it is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 17 January 2025 (after trading hours), the Company and AlphaMind AI, a wholly owned subsidiary of the Company, entered into the Investment Agreement with Reabon Tech in relation to, among other things, the establishment of the Joint Venture.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are set out below.

Date : 17 January 2025

Parties : (i) The Company;
(ii) AlphaMind AI; and
(iii) Reabon Tech.

Subject matter

Pursuant to the terms of the Investment Agreement, AlphaMind AI and Reabon Tech have agreed to establish the Joint Venture in the British Virgin Islands. This Joint Venture will facilitate the operation of a company established in the PRC focused on the research, development, production, and sales of lithium niobate (LiNbO₃) material crystals and wafers.

Capital contribution

Pursuant to the terms of the Investment Agreement, the registered share capital of the Joint Venture will be US\$1,000. AlphaMind AI will contribute US\$510 and Reabon Tech will contribute US\$410, which represents 51% and 49% of the total share capital of the Joint Venture, respectively.

AlphaMind AI and Reabon Tech will pay the capital in full within 30 days of signing the Investment Agreement.

The board composition

The Joint Venture shall be governed by a board of directors comprising three members: two appointed by AlphaMind AI and one appointed by Reabon Tech.

The Investment Structure and the Possible Acquisition

Following the establishment of the Joint Venture, the Joint Venture will develop an investment structure that includes (i) the incorporation of the Hong Kong Company, which will be wholly owned by the Joint Venture; and (ii) the Hong Kong Company will establish the WOFE, which will be wholly owned by the Hong Kong Company (the “**Investment Structure**”).

Upon the completion of the Investment Structure, the WOFE will acquire an 80% equity interest in the Project Company (the “**Possible Acquisition**”) at zero consideration and will subsequently increase its registered capital accordingly. To initiate the Possible Acquisition, the WOFE will enter into a legally binding formal agreement in which the completion of the Possible Acquisition will be subject to certain conditions, including but not limited to compliance with the applicable Listing Rules.

If the Possible Acquisition materialize, the Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

The fund-raising plan

Pursuant to the terms of the Investment Agreement, the Project Company is expected to invest approximately RMB37 million (the “**Investment Budget**”).

To fulfill the Investment Budget, the Company will provide financial assistance to the Joint Venture through shareholder loans from AlphaMind AI and a designated party from Reabon Tech. According to the Investment Agreement, AlphaMind AI will provide a loan totalling RMB33 million at an annual interest rate of 2%. Additionally, Reabon Tech will provide a loan of RMB4 million with no interest. Both loans have a repayment term of 5 years, with the principal and any accrued interest to be repaid in full upon maturity.

According to the Investment Agreement, the shareholder loans from AlphaMind AI will be released in two tranches according to the following schedules and conditions:

- (i) as to RMB26 million (the “**First Loan**”) within 30 days following the fulfillment or waiver of the following conditions:
 - (a) the Investment Agreement having been duly signed and effective;
 - (b) the Investment Structure, the Possible Acquisition and the Investment Budget having been approved by the Joint Venture’s board of directors;
 - (c) Mr. Wang Haoxu* (王浩旭), the legal person of the Project Company or his designated third parties, having been provided RMB4 million to the Project Company along with the corresponding payment vouchers;
 - (d) the Project Company having obtained all required approval documents, environmental impact assessment approval, and “three simultaneous safety production* (安全生產三同時)” procedures;
 - (e) Mr. Wang Haoxu and Mr. Zhu Zhinong* (朱治農), two of the beneficial owners of the Project Company, having signed a full-time employment contract with the Project Company, along with a confidentiality, non-competition, and intellectual property agreement that satisfies the Company’s requirements;
 - (f) Mr. Shen Xuming* (沈旭銘), the general manager and one of the beneficial owners of the Project Company, having entered into an agreement with the Project Company, agreeing on the terms associated with the Performance Target (as defined below) and procuring to formally join the Project Company by signing an employment contract on or before 28 February 2025;
 - (g) ownership of patents previously held by the original shareholders of the Project Company having been officially transferred to the Project Company. Additionally, for patents that are currently in the application process but have not yet received authorisation, the applicant designation having been updated to reflect the Project Company with the relevant patent application authority;
 - (h) the production plan of the Project Company having been completed, allowing for equipment to enter the factory;
 - (i) the selection of production line equipment having been finalised, and the Project Company having commenced the procurement process;

- (j) the Investment Structure having been effectively completed; and
 - (k) the Project Company having duly executed its articles of association and filed these documents with the Municipal Supervision Bureau (市監局) in accordance with the Company's requirements.
- (ii) as to RMB7 million (the “**Second Loan**”) within 30 days following the fulfillment or waiver of the following conditions:
- (a) Reabon Tech having provided the loan of RMB4 million to the Joint Venture;
 - (b) more than 80% of the production equipment having arrived at the Project Company's factory, and the equipment having begun debugging and installation;
 - (c) all patents specified in the Investment Agreement having received acceptance notices for their applications and the designated patent referenced in the Investment Agreement having entered the substantive examination stage, whereas the Project Company serves as the sole patentee and patent applicant;
 - (d) the Project Company having obtained all required approvals, licenses, registrations, and additional procedures necessary for commencing production;
 - (e) the factory operated by the Project Company having completed the required acceptance procedures and officially authorised to commence production in alignment with its intended purpose;
 - (f) the Project Company having completed the ISO quality control system 9000, 140001 certification and obtained the certification certificate;
 - (g) the Project Company having initiated discussions with key customers concerning the audit process for its factories; and
 - (h) Mr. Shen Xuming having formally joined the Project Company and having signed a full-time employment contract with the Project Company, along with a confidentiality, non-competition, and intellectual property agreement that satisfies the Company's requirements.

Pursuant to the Investment Agreement, both the First Loan and the Second Loan will be used to increase the registered capital of the Project Company.

The Company will finance the First Loan and the Second Loan by way of using its internal resources.

The Performance Target

Mr. Wang Haoxu, Mr. Zhu Zhinong, and Mr. Shen Xuming jointly procure that the Project Company shall complete the production line within 15 months from the date AlphaMind AI grants the First Loan to the Joint Venture. Furthermore, the Project Company is expected to secure batch orders from a minimum of two major customers totaling at least 2,000 wafers (the “**Performance Target**”).

INFORMATION ABOUT THE COMPANY AND ALPHAMIND AI

The Company is a company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the main board of the Stock Exchange. Through its subsidiaries, the Group is primarily focused on the sale of motor vehicles and the provision of related services and products, including (i) motor vehicle financing services, (ii) motor vehicle insurance agency services, and (iii) sales of motor vehicle spare parts and accessories.

AlphaMind AI is an investment holding company incorporated in the British Virgin Islands with limited liability. As of the date of this announcement, AlphaMind AI is a wholly-owned subsidiary of the Company.

INFORMATION ABOUT REABON TECH

Reabon Tech is a company incorporated in the British Virgin Islands with limited liability. As of the date of this announcement, Reabon Tech is ultimately and beneficially owned by Mr. Wang Haoxu and is principally engaged in investment holding.

To the best of the Directors’ knowledge, information, and belief, and having made all reasonable enquiries, Reabon Tech and its ultimate beneficial owner are Independent Third Parties.

INFORMATION ABOUT THE PROJECT COMPANY

The Project Company is a company established in the PRC with limited liability. As of the date of this announcement, the Project Company is engaged in several key activities: (i) the production of substrate materials* (襯底材料) that are essential for chips* (晶片) manufacturing; (ii) the research and development, as well as the manufacturing and sales of lithium niobate crystals* (鋁酸鋰晶體) and lithium tantalate growth crystals* (鋁酸鋰長晶), lithium niobate* (鋁酸鋰) and lithium tantalate wafer films* (鋁酸鋰晶片薄膜); and (iii) the refurbishment, modification, sale, and after-sales maintenance of semiconductor equipment necessary for chips production. Given that the production line has not yet become operational, the Project Company has not recognised any revenue as of the date of this announcement.

As of the date of this announcement, the Project Company is initiating the development of a production line for 6 to 8-inch acoustic-grade and optical-grade lithium niobate wafers* (聲學級和光學級鈮酸鋰晶圓生產線). In the initial phase, the Project Company aims to achieve an annual production capacity of 50,000 niobate wafers* (鈮酸鋰晶圓). The second phase will focus on increasing the production capacity to between 80,000 and 100,000 units. The anticipated construction period for this project is 12 months, with a total investment of approximately RMB 40 million allocated for the first phase.

REASONS OF ENTERING INTO THE INVESTMENT AGREEMENT

Throughout the year, the Group has been proactively identifying and exploring potential projects to diversify its investment portfolio and enhance future returns. Prior to finalising the Investment Agreement, the Directors acknowledged the significant role of lithium niobate in advancing optical and mobile phone communications. Moreover, the ongoing revolution in Artificial Intelligence (AI) is significantly increasing the demand for computing power, positing optical communication as a fundamental element in supporting these innovative networks.

Lithium niobate is an essential material that supports the development of high-speed optical module chips, serving as a cornerstone of the optical chip semiconductor industry. Its inclusion in the “Guangdong Province Action Plan to Accelerate the Innovation and Development of the Optical Chip Industry (2024–2030)” highlights a strong commitment to advancing this sector. Furthermore, lithium niobate plays a vital role in the production of 5G radio frequency filters for mobile devices, underscoring its significance in enhancing optical and mobile communications, as well as satellite technology. Due to its versatility and importance, lithium niobate is a key player in the future of communication technology.

The Directors recognised the valuable technology that the Project Company has developed for the domestic market is supported by a strong history of mass production expertise and an impressive patent portfolio. While producing large-sized lithium niobate wafers (6–8 inches) comes with its challenges, there is a significant opportunity for growth in this area, especially since the current market is largely influenced by foreign manufacturers. With domestic production currently below 5%, the sector presents promising potential for development, especially considering that it boasts a gross profit margin exceeding 50%. This highlights an exciting opportunity for domestic substitution and growth in the industry.

Additionally, the core members of the Project Company bring more than 25 years of industry experience, having developed deep expertise in the preparation and mass production of 8-inch lithium niobate wafers in the PRC. Their accumulation of patents, which represent more than half of the domestic preparation and production patents in this area, highlights the Project Company’s potential to drive innovation and growth in the field.

In light of these factors, the Directors are confident that entering into the Investment Agreement will provide a strategic opportunity to establish a foothold in the industry, which is expected to yield significant financial returns for the Group.

LISTING RULES IMPLICATION

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DEFINITIONS

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

“AlphaMind AI”	AlphaMind AI Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed thereto under to the Listing Rules
“Board”	the board of Directors
“Company”	Guan Chao Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1872)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Company”	a company to be incorporated in Hong Kong with limited liability under the Investment Structure which the Joint Venture will wholly own

“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and any of its connected persons or any of their respective associates
“Investment Agreement”	an investment agreement dated 17 January 2025 entered into among the Company, AlphaMind AI, and Reabon Tech in relation to, among other things, the establishment of the Joint Venture
“Investment Structure”	the structure to be set up by the Joint Venture that includes (i) the incorporation of the Hong Kong Company, which will be wholly owned by the Joint Venture; and (ii) the Hong Kong Company will establish a WOFE, which will be wholly owned by it
“Joint Venture”	the company to be established in the British Virgin Islands pursuant to the terms and conditions of the Investment Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Acquisition”	the possible acquisition of 80% equity interest in the Project Company by the WOFE upon the completion of the Investment Structure
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	廣州晶鴻新材料有限公司, a company established in the PRC with limited liability
“Reabon Tech”	Reabon Technology Co., Limited, a company incorporated in the British Virgin Islands with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“WOFE”	a wholly foreign-owned enterprise to be established in the PRC with limited liability which the Hong Kong Company will wholly own.
“%”	per cent.

By Order of the Board
Guan Chao Holdings Limited
Tan Shuay Tarng Vincent
Co-chairman and executive Director

Hong Kong, 17 January 2025

As at the date of this announcement, the Board comprises Mr. Tan Shuay Tarng Vincent, Mr. Zhang Xiaoyang, Ms. Ng Hui Bin Audrey, Ms. Beng Lee Ser Marisa and Mr. Jin Zhehui as executive Directors; and Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken as independent non-executive Directors.

* *For identification purposes*