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HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1689)

DISCLOSEABLE TRANSACTION DISPOSAL OF 48% EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

On 3 November 2023, the Vendor, an indirectly wholly-owned subsidiary of the Company, and the Purchasers entered into the Disposal Agreement pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to purchase, the Sale Interest at the total nominal consideration of RMB3.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

As at the date of the Disposal Agreement, the Target Company was an indirectly wholly-owned subsidiary of the Company. Pursuant to the Disposal Agreement, the Vendor has agreed to sell the Sale Interest to the Purchasers and the Purchasers have agreed to purchase the Sale Interest from the Vendor. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

THE DISPOSAL AGREEMENT

Date

3 November 2023

Parties

- (1) Guangdong Xinda Detection Technology Company Limited, an indirectly wholly-owned subsidiary of the Company (as Vendor)
- (2) Dongfang Hua Xin, Zhibo Shengshi and Yuan Tong Zhi Xin (as Purchasers)

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchasers and their ultimate beneficial owners are Independent Third Parties.

Subject Matter

The Vendor has agreed to sell the Sale Interest to the Purchasers and the Purchasers have agreed to purchase the Sale Interest from the Vendor. The Sale Interest represents 48% of the equity interest of the Target Company and shall be transferred as to 35% to Dongfang Hua Xin, 8% to Zhibo Shengshi and 5% to Yuan Tong Zhi Xin.

Consideration

Pursuant to the terms of the Disposal Agreement, the consideration payable by each Purchaser is in the nominal sum of RMB1 and shall be satisfied by way of cash within seven working days upon signing the Disposal Agreement.

The consideration of the Disposal was arrived at after arm's length negotiations between the Vendor and the Purchasers on normal commercial terms with reference to the net liabilities of the Target Company of approximately RMB11,000 as at 30 September 2023 and the benefits of the Disposal are detailed in the paragraph "Reasons for the Disposal" below.

Conditions Precedent

Completion of the Disposal is conditional upon the satisfaction of, among others, the following conditions:

- (a) the Vendor having obtained all necessary consents and approvals in relation to the Disposal; and
- (b) each of the Purchasers having obtained all necessary consents and approvals in relation to the Disposal.

The above conditions cannot be waived. If the condition is not fulfilled by 31 December 2023, the Disposal Agreement shall automatically be terminated and cease to be of any effect, and none of the Vendor or the Purchaser shall have any claim of any nature or liabilities under the Disposal Agreement save for any antecedent breach.

Other terms of the Disposal Agreement

Upon Completion, the board of directors of the Target Company shall consist of five directors, of which the Vendor shall be entitled to appoint two directors whereas each of Dongfang Hua Xin, Zhibo Shengshi and Yuan Tong Zhi Xin shall be entitled to appoint one director. The chairman and vice-chairman of the board of directors of the Target Company shall be appointed by the Vendor and Dongfang Hua Xin respectively. Each director shall be

entitled to one vote and Dongfang Hua Xin shall have the veto right. The board resolutions of the Target Company shall be voted by hands and approved by simple majority of the directors who attend the board meeting.

The shareholders resolutions of the Target Company shall be voted by poll and approved by not less than two-third of the equity interest of the shareholders who attend the shareholders' meeting.

Completion

Completion shall take place on the effective date of the change of business registration in respect of the Sale Interest to the Purchasers.

As at the date of this announcement, the Target Company is an indirectly wholly-owned subsidiary of the Company. Upon Completion, the Vendor will remain to have 52% equity interest in the Target Company. In view of the arrangement as set out in the heading "Other terms of the Disposal Agreement" above, upon Completion, the Vendor will not have control over the Target Company, and the Target Company will cease to be accounted for as a subsidiary of the Company and will be accounted for as an associate of the Company.

INFORMATION ON THE PARTIES

Information about the Vendor and the Purchasers

The Vendor

The Vendor is a limited liability company established in the PRC in November 2019 and is principally engaged in the technical development and sale of electronic products. It is an indirectly wholly-owned subsidiary of the Company.

The Purchasers

Dongfang Hua Xin is a limited liability company established in the PRC in September 2023 and is principally engaged in the research and development of technology, providing consultancy service and promotion of information technology.

Zhibo Shengshi is a limited liability company established in the PRC in September 2023 and is principally engaged in the research and development of technology, providing consultancy service and promotion of information technology.

Yuan Tong Zhi Xin is a limited liability company established in the PRC in September 2023 and is principally engaged in the research and development and sale of information technological equipment.

Information of the Target Company

The Target Company is a company established in the PRC on 5 September 2023 with limited liability and is principally engaged in the research and development and sale of technological products. The registered capital of the Target Company is RMB40 million. As at the date of this announcement, the registered capital has not been paid up. Upon

Completion, the Vendor and the Purchasers shall within 20 years from the date of Completion fully pay up the registered capital in accordance with their respective equity interest in the Target Company.

As at 30 September 2023, the unaudited net liabilities of the Target Company was approximately RMB11,000. The unaudited loss before and after income tax of the Target Company for the period from the date of its establishment to 30 September 2023 was approximately RMB11,000.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Subject to the final audit, it is expected that the Group will realise a gain on disposal of approximately RMB11,000, which is calculated by reference to the unaudited carrying value of the Target Company as at 30 September 2023.

The proceeds from the Disposal are currently intended to be used by the Group for general working capital.

Upon Completion, the Vendor will remain to have 52% equity interest in the Target Company. As the Vendor will cease to have control over the Target Company upon Completion, the Target Company will cease to be accounted for as a subsidiary of the Company and will be accounted for as an associate of the Company.

REASONS FOR THE DISPOSAL

The ultimate beneficial owners of the Purchasers have in-depth knowledge and experience in the research and development of technology. Such experience can assist the Target Company to establish its business and develop technological products. The ultimate beneficial owners of the Purchasers also have extensive network who can help to promote the business and obtain sales orders for the Target Company. The Board is of the view that the Disposal serves to invite the Purchasers to become strategic shareholders of the Target Company and the Target Company can leverage on their resources and experience for the development of the Target Company.

As the Disposal is being carried out after arm's length negotiation and on normal commercial terms, the Directors are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement were fair and reasonable and on normal commercial terms.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios exceed 5% but less than 25%, the execution of the Disposal Agreement constitutes a discloseable transaction for the Company and is therefore subject to the requirements of notification and announcement but exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“Company”	Huaxi Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1689);
“Completion”	completion of the Disposal of the Disposal Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Sale Interest by the Vendor to the Purchasers;
“Disposal Agreement”	the share transfer agreement dated 3 November 2023 between the Vendor and the Purchasers in relation to the Disposal;
“Dongfang Hua Xin”	東方華芯(廣東)科技有限公司 (Dongfang Hua Xin (Guangdong) Technology Company Limited*), a limited liability company established in the PRC and an Independent Third Party;
“Group”	the Company and its subsidiary;
“Independent Third Party(ies)”	a person or a company which is a third party, independent of the Company and its connected person(s) ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchasers”	Dongfang Hua Xin, Zhibo Shengshi and Yuan Tong Zhi Xin;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	48% of the equity interest of the Target Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company”	盛世恒瑞(廣東)科技有限公司 (Shengshi Heng Rui (Guangdong) Technology Company Limited*), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of the Company as at the date of the Disposal Agreement;
“Vendor”	廣東信達驗測科技有限公司 (Guangdong Xinda Detection Technology Company Limited*), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of the Company;
“Yuan Tong Zhi Xin”	廣東園通智鑫科技有限公司 (Guangdong Yuan Tong Zhi Xin Technology Company Limited*), a limited liability company established in the PRC and an Independent Third Party;
“Zhibo Shengshi”	廣東智博盛世科技有限公司 (Guangdong Zhibo Shengshi Technology Company Limited*), a limited liability company established in the PRC and an Independent Third Party;
“%”	per cent.

By Order of the Board of
Huaxi Holdings Company Limited
Zheng Andy Yi Sheng
Chairman

Hong Kong, 3 November 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Zheng Andy Yi Sheng and Mr. Zheng Minsheng as executive directors; Mr. Hao Jiming as non-executive director; and Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen as independent non-executive directors.

* For identification purpose only