

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



InvesTech Holdings Limited

威訊控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 1087)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO SETTLEMENT AGREEMENT INVOLVING THE PROPOSED ACQUISITION OF A 30% INTEREST IN AN UNINCORPORATED JOINT VENTURE

On 10 April 2023 and 13 April 2023, Wafer, JV Partner and Delta entered into the Settlement Agreement and the Supplemental Agreement respectively in relation to the settlement arrangement. Among the arrangement, it involves the payment of an aggregate sum of HK\$9 million by Wafer to the JV Partner, and in return the JV Partner shall transfer its 30% beneficial interest in the Joint Venture to Wafer (or its nominee), subject to the approval by the LCSD.

Completion of the Proposed Acquisition is conditional on and subject to the approval by the LCSD. Completion shall take place thereafter and the JV Partner has undertaken to sign all necessary documents for the completion of the transfer of beneficial interest.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Accordingly, the Proposed Acquisition is subject to the notification and announcement requirements, and is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, JV Partner is interested in 30% of the Joint Venture, which in turn is accounted for as a subsidiary of the Company under the Listing Rules. JV Partner is therefore a connected person of the Company by virtue of having a substantial interest in an unincorporated joint venture that the Company has a majority interest in. Accordingly, the Proposed Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Proposed Acquisition (i) is entered into between the Group and a connected person at the subsidiary level, (ii) is on normal commercial terms or better, (iii) has been approved by the Board and (iv) the independent non-executive Directors have confirmed that the terms of the Proposed Acquisition are fair and reasonable, the Proposed Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Proposed Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On the other hand, although Delta is deemed to be an associate of Ms. Tin, who in turn is an executive Director and thus a connected person of the Company, the transactions involving Delta under the Settlement Agreement is relevant to a loan advanced by it to the JV Partner and the dispute arising therefrom only, and does not directly relate to the Joint Venture nor to Wafer. As such, it is considered that there is no connected transaction contemplated under the Settlement Agreement between the Company and Delta.

BACKGROUND

In about July 2021, Wafer, an indirect wholly-owned subsidiary of the Company, and the JV Partner, formed the Joint Venture, which is a contractual unincorporated joint venture for a single project to conduct ordinary course of business of the Company with its beneficial interest owned as to 70% by Wafer and 30% by the JV Partner, for tendering a government contract for the provision of a smart library system for the LCSD with contract sum of approximately HK\$693.1 million. In September 2021, such government contract was awarded to the Joint Venture. The project involves the design, supply, delivery, installation, commissioning, implementation, system support and maintenance of core library systems, alongside the provision of other services. The estimated project duration is from September 2021 to March 2026, with a warranty and maintenance period running until March 2036.

Subsequently, there were disputes in relation to the Joint Venture operation, and the cooperation was put on hold between Wafer and the JV Partner. Wafer has commenced civil proceedings at the High Court of Hong Kong against the JV Partner (the “**Proceedings**”). In order to resolve the disputes, Wafer and the JV Partner, together with Delta (which at the same time also has dispute with the JV Partner for a loan advanced by it to the JV Partner for its operation but has no direct involvement in the Joint Venture) resolved to attempt mediation and in early April 2023, the parties have reached a settlement.

On 10 April 2023 and 13 April 2023, Wafer, JV Partner and Delta entered into the Settlement Agreement and the Supplemental Agreement respectively in relation to the settlement arrangement. Among the arrangement, it involves the payment of an aggregate sum of HK\$9 million by Wafer to the JV Partner, and in return the JV Partner shall transfer its 30% beneficial interest in the Joint Venture to Wafer (or its nominee), subject to the approval by the LCSD. The Settlement Agreement was subject to confidentiality and upon review by the Company, the Proposed Acquisition would constitute a notifiable transaction and therefore the parties negotiated for disclosure of the same and thus entered into the Supplement Agreement on 13 April 2023 to amend, among other things, the confidentiality restriction such that parties would consent to the announcing of the Settlement Agreement and the transactions contemplated thereunder.

SETTLEMENT AGREEMENT INVOLVING THE TRANSFER OF INTEREST IN THE JOINT VENTURE

The salient terms of the Settlement Agreement are set out below:

Date: 10 April 2023, as supplemented on 13 April 2023

Parties: (i) Wafer
(ii) the JV Partner
(iii) Delta

Wafer is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company.

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiry, the JV Partner is a company incorporated in Hong Kong and is owned by parties independent from the connected persons of the Company and their respective associates, save for being associates of the JV Partner, which in turn is a substantial Shareholder (as defined in the Listing Rules) of the Joint Venture.

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiry, Delta is currently a licensed money lender in Hong Kong and is an indirect wholly owned subsidiary of Virtual Mind Holding Company Limited (stock code: 1520), wherein Ms. Tin is an executive director, and Ms. Tin is the sole director of Delta. As such, Ms. Tin is deemed to have control over Delta and accordingly Delta is regarded as an associate of Ms. Tin under the Listing Rules.

Subject matter:

Pursuant to the Settlement Agreement, Wafer and the JV Partner thereto shall perform, among others, the following major obligations in settlement of the disputes:

Wafer shall:

- (i) Wafer shall withdraw the Proceedings on or before 13 April 2023 and bear the relevant legal costs;
- (ii) pay in an aggregate of HK\$9 million to the JV Partner as final and conclusive settlement and in return obtain and assume all rights and obligations under the Joint Venture. Such payment shall be made as to HK\$1 million within 14 days and as to HK\$8 million within 3 months respectively upon receipt of contract payment by the Joint Venture from LCSD; and
- (iii) Return 30% of the total security guarantee deposit (which was paid by the Joint Venture to LCSD under the project contract) to the JV Partner for Joint Venture within 30 days of LCSD's approval for the transfer of 30% of the beneficial interest in the Joint Venture by the JV Partner to Wafer (or its nominees), or the completion of the tender requirements for the Joint Venture, whichever is sooner.

The JV Partner shall:

- (i) receive from Wafer a total of HK\$9 million as final and conclusive settlement to waive all past, present and future rights and obligations and claims in relation to the Joint Venture; and
- (ii) transfer the 30% beneficial interest in the Joint Venture to Wafer (or its nominees) at consideration of HK\$1.

On the other hand, Delta and JV Partner also has obligation to perform in favour of each other which mainly relate to the settlement of a loan advance by Delta to the JV Partner for its operation, but Delta is not directly involved in the Joint Venture and such loan is not relevant to Wafer.

Consideration

As mentioned above, the amount payable by Wafer to the JV Partner, in exchange for the transfer of the 30% beneficial interest in the Joint Venture, is in aggregate HK\$9 million. Such amount was negotiated between the parties on an arm's length basis after taking into account (i) the contract sum of the awarded contract undertaken by the Joint Venture up to the current stage; (ii) the operating costs and expenses of the Joint Venture, attributable to the transfer interest; (iii) the potential risk and burden of the Joint Venture's operation; and (iv) the lack of liquidity in the transferring of such interest in the Joint Venture.

Condition precedent and completion

Completion of the Proposed Acquisition is conditional on and subject to the approval by the LCSD. Completion shall take place thereafter and the JV Partner has undertaken to sign all necessary documents for the completion of the transfer of beneficial interest.

Upon completion of the transfer of the 30% of the beneficial interest in the Joint Venture, Wafer will be interested in 100% of the project undertaken by the Joint Venture, as such, the project will become solely undertaken by Wafer and the Group will be entitled to and consolidate all the financial interest in the project's operation in its accounts.

REASONS FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION

The Company is an investment holding company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Group is principally engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and smart office software solutions, and the network equipment rental business.

The dispute between Wafer and the JV Partner has affected the operation of the project undertaken by the Joint Venture, which affect the profitability and prospect of such Joint Venture. The Settlement Agreement aims at determining the dispute between Wafer and the JV Partner. As part of the settlement arrangement, it is agreed between the parties the remaining interest in the Joint Venture held by the JV Partner shall also be transfer to Wafer, or be transfer to a third party nominated by Wafer and approved by the LCSD. In the event transfer of the interest, Wafer will be able to carry on the operation of the project and enjoy the benefit of the awarded contract. Based on the existing operation of the Joint Venture and the investment already made by the Group into the Joint Venture, the Company also considered the Group has the resources, ability and expertise to operate the project on its own. The awarded contract has a long term till at least 2026 and has a substantial contract sum, which would contribute to the performance of the Group if operated properly and smoothly. After taking into account of the above, the Directors are of the view that the terms of the Settlement Agreement, so far as relevant to Wafer, and including the Proposed Acquisition, are negotiated on an arm's length basis, are fair and reasonable and in the interest of the Company and the Shareholder as a whole.

INFORMATION OF THE JOINT VENTURE

As the Joint Venture is a contractual unincorporated joint venture, it does not have any share capital. The initial cash contribution by Wafer for the 70% beneficial interest in the Joint Venture was approximately HK\$16,748,000, which was solely used for the purpose of deposit placed at bank for issuance of letter of guarantee to the Hong Kong Government under the project.

The revenue and net profits before taxation generated from the project undertaken by the Joint Venture for the years ended 31 December 2021 and 2022 are set out below:

	FOR THE YEAR ENDED	
	31 DECEMBER	
	2021	2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	–	58,130
Net (loss)/profit before taxation	(3,384)	13,339

Based on the unaudited financial statements of the Joint Venture for the year ended 31 December 2022 prepared in accordance with IFRS, the unaudited net assets of the Joint Venture as at 31 December 2022 was approximately HK\$40,921,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Accordingly, the Proposed Acquisition is subject to the notification and announcement requirements, and is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, JV Partner is interested in 30% of the Joint Venture, which in turn is accounted for as a subsidiary of the Company under the Listing Rules. JV Partner is therefore a connected person of the Company by virtue of having a substantial interest in an unincorporated joint venture that the Company has a majority interest in. Accordingly, the Proposed Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Proposed Acquisition (i) is entered into between the Group and a connected person at the subsidiary level, (ii) is on normal commercial terms or better, (iii) has been approved by the Board and (iv) the independent non-executive Directors have confirmed that the terms of the Proposed Acquisition are fair and reasonable, the Proposed Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Proposed Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On the other hand, although Delta is deemed to be an associate of Ms. Tin, who in turn is an executive Director and thus a connected person of the Company, the transactions involving Delta under the Settlement Agreement is relevant to a loan advanced by it to the JV Partner and the dispute arising therefrom only, and does not directly relate to the Joint Venture nor to Wafer. As such, it is considered that there is no connected transaction contemplated under the Settlement Agreement between the Company and Delta.

GENERAL

As at the date of this announcement, it is uncertain whether the transfer of interest in the Joint Venture under the Proposed Acquisition will be approved by the LCSD, and hence such Proposed Acquisition may or may not materialise. Shareholders and investor shall exercise caution when dealing in the securities of the Company.

DEFINITION

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

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	InvesTech Holdings Limited, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1087)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Delta”	Delta Wealth Finance Limited, a company incorporated in Hong Kong with limited liability
“Director”	a director of the Company
“IFRS”	International Financial Reporting Standard
“Independent Third Party(ies)”	party(ies) independent of the connected person of the Company and their respective associates
“Joint Venture”	a contractual unincorporated joint venture formed by Wafer and the JV Partner and interested as to 70% and 30% by which respectively
“JV Partner”	iMusic iDol Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Chau, Kin Wang (鄒健宏) and Chung, Chili Yan Tung (鍾欣彤), who are Independent Third Parties (save for being associates of the JV Partner)
“LCSD”	Leisure and Cultural Service Department of the Hong Kong Special Administrative Government
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

“Ms. Tin”	Ms. Tin Yat Yu Carol, a substantial Shareholder and an executive Director
“Proposed Acquisition”	the proposed acquisition of the 30% beneficial interest in the Joint Venture by Wafer as contemplated under the Settlement Agreement
“Settlement Agreement”	The settlement agreement dated 10 April 2023 and supplemented by the Supplemental Agreement
“Share(s)”	ordinary share(s) of par value of US\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Settlement Agreement dated 13 April 2023
“Wafer”	Wafer System (Asia) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
InvesTech Holdings Limited
Chan Sek Keung, Ringo
Chairman and Chief Executive Officer

Hong Kong, 13 April 2023

As at the date of this announcement, the executive Directors are Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Ms. Tin Yat Yu, Carol, Ms. Wang Fang and Mr. Lu Chengye, the non-executive Directors are Mr. Wong Tsu Wai, Derek and Ms. Chung, Elizabeth Ching Yee and the independent non-executive Directors are Mr. David Tsoi, Mr. Hon Ming Sang and Mr. Yuen Shiu Wai.