

**WAI CHI HOLDINGS COMPANY LTD:
IS SOMEBODY APPLYING THE THUMB SCREWS ?**

In a cursory look at the Share Offer Prospectus of Wai Chi Holdings Company Ltd () (Code: 1305, Main Board, The Stock Exchange of Hongkong Ltd), this Company does not appear, at least on paper, to need to raise money on any equity market, let alone the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The above statement is reinforced when, on careful reading of the Company's Share Offer Prospectus, dated November 4, 2014, one notes that Management of Wai Chi Holdings would be satisfied with as little as \$HK150.10 million in respect of this cash-raising exercise.

Then, on a close inspection of the financials of this Company, one notes the relatively fast build-up of bank borrowings, of late.

And, then, the penny drops.

The Business

Wai Chi Holdings is engaged in the manufacture and sales of light bulbs, to put it simply.

Management, throughout the Share Offer Prospectus, uses the term, '*LED products*' in order to describe its manufactured products.

'LED' is defined as being:

'Light-emitting diode, which is a semi-conductor light source, used for lighting and illumination in diverse applications as mobile phones, computers, television sets, traffic lights, lamps, and street lights.'

The American inventor of the first, long-lasting, practical electric light bulb, Mr Thomas Alva Edison, who died on October 18, 1831, would, without question, have described the LED as, simply, another type of light bulb.

Which is that which it is.

In today's world, however, there is a need for a very different kind of lighting source, other than that which was possible in the early 19th Century when illumination by means of burning gas was the order of the day.

Page 89 of the Share Offer Prospectus of Wai Chi Holdings gives an '**OVERVIEW**' of the business of the Company in the following terms:

'We are an established LED products manufacturer focusing on producing LED backlight and LED lighting products on an OEM¹ and ODM² basis. Equipped with comprehensive production facilities in Shenzhen, Huizhou and Yichang in the PRC, our Group is capable of handling the requisite production procedures (including product design, mould production, mass production and quality control and maintenance) for LED backlight products and LED

lighting products.

‘Our Group mainly produces LED backlight products. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we derived 97.7%, 92.8%, 90.0% and 93.1% of our total revenue from the selling of our LED backlight products. We produce a variety of LED backlight products with various dimensions, colours and luminosity based on the specifications provided by our customers. Our LED backlight products can principally be classified into three categories, namely: (i) Small LED backlight products with size of 7 inches or less, which are mainly applied on smartphones, automobile displays, equipment displays, digital cameras, etc.; (ii) Medium LED backlight products with size between 7 inches to 26 inches, which are mainly applied on notebook computers, tablets, computer monitors, equipment displays, etc.; and (iii) Large LED backlight products with size larger than 26 inches, which are mainly applied on televisions. Our revenue from LED backlight products increased from approximately HK\$729.8 million in 2011 to HK\$805.2 million in 2013, representing a CAGR³ of approximately 5.0%. According to the Euromonitor Report, we ranked second in the Small LED backlight product market in the PRC in 2013, contributing an individual share of 4.3% with a sales value of approximately HK\$670.9 million.

‘We have developed a wide spectrum of LED lighting product series for indoor and outdoor uses. The indoor LED lighting products we produce mainly include light bulbs, candle lights, light tubes, down lights, MR⁴ bulbs, ceiling panels, PL⁵ tubes and track lights. The outdoor LED lighting products we produce mainly include flood lights, high bays, street lights and gas station lamps. Our revenue from LED lighting products increased from approximately HK\$17.2 million in 2011 to approximately HK\$88.9 million in 2013, representing a CAGR of approximately 127.3%. We are also conducting LED lighting research and development projects sponsored by government authorities in the PRC, including research and development on plant-grow lights ... [CLICK TO ORDER FULL ARTICLE](#)

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