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Futong Technology Development Holdings Limited

富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

CONNECTED TRANSACTION

ACQUISITION OF INTELLECTUAL PROPERTY RIGHTS

On 30 September 2019, Futong Dongfang and Supool entered into the Agreement pursuant to which Futong Dongfang agreed to acquire and Supool agreed to transfer the IP Rights for a total consideration of RMB3,200,000 (equivalent to approximately HK\$3,524,000) in cash.

As at the date of this announcement, Supool is a wholly-owned subsidiary of Beijing Deep Thought, which is in turn held as to approximately 67.13% by Mr. Chen Jian, a Controlling Shareholder and an executive Director. As such, Supool is an associate of Mr. Chen Jian and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition contemplated under the Agreement is less than 5%, the Acquisition contemplated under the Agreement is subject to the announcement requirement but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 30 September 2019, Futong Dongfang and Supool entered into the Agreement pursuant to which Futong Dongfang agreed to acquire and Supool agreed to transfer the IP Rights for a total consideration of RMB3,200,000 (equivalent to approximately HK\$3,524,000) in cash.

THE AGREEMENT

A summary of the major terms of the Agreement is set out below:

Date

30 September 2019

Parties

- (i) Futong Dongfang (a wholly-owned subsidiary of the Company)
- (ii) Supool

Sale and purchase of the IP Rights

Under the Agreement, Futong Dongfang has agreed to acquire, and Supool has agreed to transfer, the following IP Rights:

- (i) two software copyrights which were developed and registered by Supool in the PRC; and
- (ii) one software developed by Supool which application is yet to be made for registration of software copyright.

Supool shall, within seven days of the payment of the First Instalment Consideration by Futong Dongfang, deliver to Futong Dongfang all documents relating to the IP Rights, including without limitation the source code, object code, development documents, testing documents, and all documents required for the registration of software copyright, and Supool shall not retain any document relating to such IP Rights in any format.

Under the Agreement, Futong Dongfang shall apply and complete the change of copyright owner of the software set out in sub-paragraph (i) above within seven days after the First Instalment Consideration is paid, and Supool shall provide all assistance as may be required for such application.

In respect of the software set out in sub-paragraph (ii) above, Futong Dongfang shall have the right to apply for registration of software copyright as the owner thereof from the date of the Agreement.

The IP Rights

The IP Rights that are to be transferred to the Group are software in relation to the commercial application of cloud computing storage.

The IP Rights set out in paragraphs (i) and (ii) in the paragraph headed “Sale and purchase of the IP Rights” above were valued at RMB4,070,000 (equivalent to approximately HK\$4,482,000) as at 22 September 2019 by an independent valuer appointed by the Company based on income approach.

Consideration and payment

The total consideration for the IP Rights is RMB3,200,000 (equivalent to approximately HK\$3,524,000) which shall be paid by Futong Dongfang to Supool in cash in two instalments in the following manner:

- (i) RMB2,000,000 (equivalent to approximately HK\$2,203,000) of which shall be paid within 30 days after receipt of the value added tax invoice from Supool in respect of this instalment of consideration (the “**First Instalment Consideration**”); and
- (ii) the remaining RMB1,200,000 (equivalent to approximately HK\$1,321,000) shall be paid within 30 days after the fulfillment of the three conditions below:
 - (a) the IP Rights set out in paragraph (i) of the paragraph headed “Sale and purchase of the IP Rights” above having been transferred and registered in the name of Futong Dongfang;
 - (b) Futong Dongfang having received all documents relating to the IP Rights; and
 - (c) Futong Dongfang having received the value added tax invoice from Supool in respect of this instalment of consideration.

The consideration was determined after arm’s length negotiations between Futong Dongfang and Supool and with reference to (i) the potential business growth of the Group associated with the use of the IP Rights and (ii) the valuation as mentioned in the paragraph headed “the IP Rights” above.

The Company will finance the consideration from internal resources of the Group.

Use of IP Rights by existing customers of Supool

For existing customers of Supool which have been licensed to use the IP Rights, they are allowed to continue to use the current version of the IP Rights under the existing license terms, and Supool shall continue to provide its services to them. Upon the expiry of the existing license term, Futong Dongfang shall have the right to decide whether to renew or to terminate the license.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

As cloud computing matures and becomes more and more popular worldwide, the PRC cloud computing market has rocketing growth in recent years. Being a leading enterprise digital transformation services provider in the PRC, the Group has kept abreast of market trend and has tapped into this market. Despite the young history of development, this division has achieved a remarkable growth.

Currently, the Group's cloud computer focuses on system development and management for its customers. To optimize its comprehensive suite of services to its customers and to boost its competitiveness, the Group intends to expand its cloud computer service offerings to cloud computer applications. The IP Rights that are to be acquired under the Agreement have unique technological leadership in cloud storage, which can rationally optimize the data application solutions for enterprise customers using cloud storage, improve storage efficiency, and enhance the overall solution capability of the Group. By acquiring the IP Rights, the Group is able to use and further develop the IP Rights so that it could offer its customers with cloud computer applications services, which will complement its present service offerings, and in turn, enhance the income and profitability of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND SUPOOL

The Group is principally engaged in provision of enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalised application products.

Supool is principally engaged in providing customers with comprehensive data management application storage services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Supool is a wholly-owned subsidiary of Beijing Deep Thought, which is in turn held as to approximately 67.13% by Mr. Chen Jian, a Controlling Shareholder and an executive Director. As such, Supool is an associate of Mr. Chen Jian and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition contemplated under the Agreement is less than 5%, the Acquisition contemplated under the Agreement is subject to the announcement requirement but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Chen Jian had material interests in the transaction contemplated under the Agreement and had abstained from voting on the board resolution. Save as disclosed above, none of the Directors had a material interest in such transaction.

DEFINITIONS

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

“Acquisition”	the acquisition of the IP Rights under the Agreement
“Agreement”	the agreement dated 30 September 2019 and entered into between Futong Dongfang and Supool in relation to the Acquisition
“Beijing Deep Thought”	北京深思软件股份有限公司 (Beijing Deep Thought Software Co., Ltd.*), a company established under the laws of PRC
“Board”	board of Directors
“Company”	Futong Technology Development Holdings Limited (stock code: 465), a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning as ascribed to it under the Listing Rules
“Directors”	directors of the Company
“First Instalment Consideration”	such term as defined in the paragraph headed “Consideration and payment” in this announcement
“Futong Dongfang”	北京富通东方科技有限公司 (Futong Dongfang Technology Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC which is a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“IP Rights”	collectively, (i) two software copyrights which were developed and registered by Supool in the PRC; and (ii) one software developed by Supool which application is yet to be made for registration of software copyright
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supool”	數普金通數據技術有限公司 (Supool Jintong Data Technology Co., Ltd.*), a company established under the laws of PRC which is a wholly-owned subsidiary of Beijing Deep Thought

For the purpose of this announcement, the exchange rate of RMB0.908= HK\$1.00 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount have been, could have been or may be exchanged, at this or any other rates.

For and on behalf of the Board
Futong Technology Development Holdings Limited
Chen Jian
Executive Director

Hong Kong, 30 September 2019

As at the date of this announcement, the executive Directors are Mr. CHEN Jian and Ms. CHEN Jing; and the independent non-executive Directors are Mr. CHOW Siu Lui, Mr. LO Kwok Kwei David and Mr. YAO Yun.

** for identification purposes only*