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Huitongda Network Co., Ltd.

匯通達網絡股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9878)

CONNECTED TRANSACTIONS ACQUIRE 100% OF THE TARGET COMPANY'S EQUITY INTEREST

ACQUISITION

The Board is pleased to announce that on March 21, 2023 (after the trading hours), the Company entered into the Equity Acquisition Agreement with Hosjoy, whereby the Company's intention in respect of the conditionally agreement to acquire and Hosjoy's intention in respect of the conditionally agreement to sell 100% of the Target Company's equity interest at a consideration of RMB504,299,500.

Upon completion of the Acquisition, the Company will hold 100% of the Target Company's equity interest. The Target Company will become a Subsidiary of the Company and the financial performance of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang Jianguo is a connected person of the Company in accordance with Chapter 14A of the Listing Rules as he is the chairman of the Board and non-executive Director of the Company and in aggregate holds an interest of approximately 29.43% of the total issued share capital of the Company and is also a Substantial shareholder of the Company. In addition, as at the date of this announcement, Mr. Wang Jianguo and his family members together hold approximately 64.77% of the interest in Hosjoy, which, therefore, is an Associate of Mr. Wang Jianguo and a connected person of the Company in accordance with Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempted from the independent shareholders' approval requirement.

BACKGROUND

The Board is pleased to announce that on March 21, 2023 (after the trading hours), the Company entered into the Equity Acquisition Agreement with Hosjoy, whereby the Company's intention in respect of the conditionally agreement to acquire and Hosjoy's intention in respect of the conditionally agreement to sell 100% of the Target Company's equity interest at a consideration of RMB504,299,500.

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EQUITY ACQUISITION AGREEMENT

The principal provisions of the Equity Acquisition Agreement are set out below:

Date

March 21, 2023

The Parties

- (1) The Company (as the transferee); and
- (2) Hosjoy (as the transferor).

Subject Matter

The Company's intention in respect of the conditionally agreement to acquire and Hosjoy's intention in respect of the conditionally agreement to sell 100% of the Target Company's equity interest.

Consideration and Payment Terms

The consideration for the Acquisition is RMB504,299,500. The consideration was determined with reference to the appraised value of the entire shareholders' equity of the Target Company as at October 31, 2022 (the "**Appraisal Benchmark Date**") in an appraisal report prepared by an independent professional valuer in the PRC (the "**Valuer**") and after arm's length negotiations between the Parties. According to the assets appraisal report issued by the Valuer dated March 6, 2023, the entire shareholders' equity in the Target Company was appraised using the asset-based method, and its appraised value as at the Appraisal Benchmark Date was RMB504,299,500.

The consideration for the Acquisition will be paid with self-owned funds by the Company to Hosjoy in cash. Among which, the Company shall pay 20% of the aforesaid consideration (the "**First Payment**") to Hosjoy within 20 working days after the effective date of the Equity Acquisition Agreement and the remaining payment (i.e. 80% of the aforesaid consideration) within 20 working days after the Delivery Date.

Delivery

Within 5 days from the date of completion of the First Payment by the Company, Hosjoy and the Target Company will complete the procedures for the registration of industrial and commercial changes of equity transfer, directors and legal persons involved in the Acquisition (subject to the registration of industrial and commercial changes).

Arrangement for the Transitional Period

The profit generated from the operation of the Target Company for the period from October 31, 2022 (excluding that date) to the Delivery Date (including that date) shall be enjoyed by the Company, and the loss generated from the operation shall be compensated by Hosjoy to the Company in cash. The profits and losses and the amount for such period shall be audited and confirmed by an auditor qualified in securities practice (the “**Qualified Auditor**”) approved by the Company.

Performance Commitment and Compensation

Performance Commitment and Compensation Methods

Hosjoy undertakes to the Company that the net profits achieved on consolidated basis (the “**Committed Net Profit**”) of the Target Company for the years ending December 31, 2023, December 31, 2024 and December 31, 2025 (collectively, the “**Performance Commitment Period**”) (if the Acquisition is not completed by 2023 as scheduled, then the aforesaid Performance Commitment Period will be extended to the next year accordingly) shall not be less than the indicators as set out in the following table:

Financial Year	2023	2024	2025
	<i>RMB0'000</i>	<i>RMB0'000</i>	<i>RMB0'000</i>
Committed Net Profit	6,477.50	7,780.46	8,396.66

If Hosjoy fails to meet the performance commitment accumulated over the three-year Performance Commitment Period, Hosjoy shall compensate the Company in cash in accordance with the terms of the Equity Acquisition Agreement.

Calculation and Payment of Compensation for Performance Commitment

During the Performance Commitment Period, the Company shall calculate the difference between the actual net profit and the Committed Net Profit of the Target Company for each year, and engage a Qualified Auditor to review the calculation results. The difference against the accumulated Committed Net Profit will be determined according to the specific review results issued by Qualified Auditor.

The difference between the accumulated actual net profit achieved as at the end of the three-year period by the Target Company during the Performance Commitment Period (the “**Three-year Accumulated Actual Net Profit**”) and the accumulated Committed Net Profit as at the end of the three-year period by the Target Company during the Performance Commitment Period (the “**Three-year Accumulated Committed Net Profit**”) as a reviewed and confirmed by the Qualified Auditor (the “**Profit Gap**”) shall be used as the basis for determining the specific amount of compensation to be paid to the Company by Hosjoy. If the Three-year Accumulated Actual Net Profit of the Target Company during the Performance Commitment Period is less than the Three-year Accumulated Committed Net Profit but not less than 90% of the Three-year Accumulated Committed Net Profit, Hosjoy shall not compensate the Company for the Profit Gap; if the Three-Year Accumulated Actual Net Profit of the Target Company during the Performance Commitment Period is less than 90% of the Three-year Accumulated Committed Net Profit, Hosjoy shall compensate the Company for the Profit Gap.

In the event that the above-mentioned performance compensation is triggered, the calculation formula for performance compensation is set out as follows:

The amount of compensation = Three-year Accumulated Committed Net Profit – Three-year Accumulated Actual Net Profit

In the event that the compensation obligation of Hosjoy is triggered, Hosjoy shall pay the full amount of compensation to the Company in one lump sum within 30 working days from the date of publication of the Company's annual audit report of 2025.

Conditions Precedent

The Equity Acquisition Agreement shall become effective upon the signature and seal of the Parties to the Agreement or their authorized representatives, and shall become effective immediately upon the satisfaction of all of the following conditions for effectiveness.

- (1) The Parties to the Agreement have fulfilled all the internal decision-making and approval procedures required for the execution of the Equity Acquisition Agreement in accordance with the provisions of their articles of association; and
- (2) The relevant regulatory authorities approved the Acquisition (if required).

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in July 2010 under the laws of the PRC. As at the date of this announcement, the Target Company is 100% owned by Hosjoy. The Target Company is principally engaged in the following fields: engineering and technical research and experimental development; technical services, technology development, technology consulting, technical exchange, technology transfer, and technology promotion; corporate management consulting; investment activities with its self-owned funds; financing advisory services; and design of enterprise image.

The major financial information of the Target Company for the years ended December 31, 2020 and December 31, 2021 and for the ten months ended October 31, 2022, based on the audited consolidated accounts prepared in accordance with the China Accounting Standards for Business Enterprises (“CASBEs”), is set forth below:

	Year Ended December 31, 2020	Year Ended December 31, 2021	Ten months ended October 31, 2022
	<i>RMB0'000</i>	<i>RMB0'000</i>	<i>RMB0'000</i>
Operating income	137,106.69	161,499.64	153,695.32
Pre-tax earnings	3,819.34	4,470.72	5,005.75
After-tax profits	3,506.48	4,273.14	4,616.18

The total assets and net assets of the Target Company as at October 31, 2022 were RMB849,710,700 and RMB295,035,200 respectively, based on the audited consolidated accounts prepared in accordance with the CASBEs.

The Target Company was established by Hosjoy, which did not acquire the equity interest of the Target Company from a third party. Accordingly, there was no initial acquisition cost for 100% of the Target Company's equity interest.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company provides one-stop integrated solution services on comfort and smart home, which may potentially compete with some of the businesses of the Group. The Acquisition is expected to reduce the potential competition between the Group and its single largest Shareholder. In addition, the Company believes that the Acquisition may bring the following benefits to the Group:

- (1) To integrate the Group's existing business network and resources with the Target Company to further develop upstream and downstream markets in depth, provide a more comprehensive range of products to the Group's customers, and enhance the Group's ability to serve customers in the downstream market, so as to help the Group to enhance its competitiveness in markets in lower-tier cities; and
- (2) To provide opportunities for the Group to explore new markets or expand its existing customer base, as well as to achieve potential synergies through effective integration of upstream and downstream resources and enhanced business cooperation.

OPINION OF THE BOARD

As Mr. Wang Jianguo, the chairman of the Board and a non-executive Director of the Company, is interested in and a director of Hosjoy and Mr. Xu Xiuxian, the executive Director of the Company, is interested in Five Star Holdings Group Co., Ltd. (the controlling shareholder of Hosjoy), they are therefore deemed to be connected with the Acquisition, and they have abstained from voting on the Board resolution approving the Acquisition. Save as disclosed above, none of the other Directors has any material interest in the relevant Board resolutions and none of the other Directors is required to abstain from voting on the relevant Board resolutions.

The Board (other than the Director who is required to abstain from voting but including the independent non-executive Directors) considers that the terms of the Equity Acquisition Agreement, which are made on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, notwithstanding that the Acquisition is not in the ordinary course of business of the Company.

INFORMATION ABOUT THE RELEVANT PARTIES

The Company is a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010. The Company serves as a leading platform for trading and service in the PRC, which is dedicated to serving enterprise customers in the retail industry in markets in lower-tier cities, providing customers with a stable one-stop supply chain and SaaS services, and the service business of the Company has become its new growth point developed in high speed.

Hosjoy is a joint stock company with limited liabilities established under the laws of the PRC on November 5, 2009. With the mission of "making home more comfortable and healthier", Hosjoy endeavors to provide one-stop comfortable smart home integrated solutions through four major sectors: cooling and heating system, fresh air system, water purification system and smart system for purpose of improving the environment of city families. As at the date of this announcement, the ultimate beneficial owners of Hosjoy are Mr. Wang Jianguo and his family members.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Acquisition”	The Company acquires 100% of the Target Company’s equity interest from Hosjoy pursuant to the terms and conditions of the Equity Acquisition Agreement
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of our Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong and Macao Special Administrative Regions and Taiwan
“Company”	Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 9878)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules

“Delivery Date”	The date on which Hosjoy and the Target Company complete the registration of industrial and commercial changes of equity transfer, directors and legal persons involved in the Acquisition
“Director(s)”	director(s) of our Company
“Equity Acquisition Agreement”	The Equity Acquisition Agreement between the Company and Hosjoy on March 21, 2023 (after the trading hours) with respect to the Target Company
“Group”	our Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hosjoy”	Hosjoy Comfortable Smart Home Co., Ltd.
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise amended from time to time)
“RMB”	Renminbi, the lawful currency of the PRC
“SaaS”	software as a service
“Shareholder(s)”	shareholder(s) of the Company
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Target Company” Nanjing Hosjoy Engineering Technology Co., Ltd. (南京好享家
工程科技有限公司)

“%” Percentage

By order of the Board
Huitongda Network Co., Ltd.
Chairman
Wang Jianguo

Nanjing, PRC
March 21, 2023

As at the date of this announcement, the Board comprises the Chairman and non-executive Director, namely Mr. Wang Jianguo; the executive Directors, namely Mr. Xu Xiuxian, Mr. Zhao Liangsheng and Mr. Sun Chao; the non-executive Directors, namely Mr. Cai Zhongqiu and Mr. Wang Ran; and the independent non-executive Directors, namely Ms. Yu Lixin, Mr. Liu Xiangdong and Mr. Cheng Zichuan.