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PANTRONICS HOLDINGS LIMITED

桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1611)

(1) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN WIN TECHNO INC.

AND

(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE SUPPLEMENTAL AGREEMENT

(1) THE ACQUISITION

On 19 July 2019 (after trading hours), the Purchaser, the Vendor and Mr. Li (as the Vendor's guarantor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, which represent the entire issued share capital of the Target Company, at a consideration of HK\$6 million. Completion of the Acquisition is subject to fulfilment or waiver of certain conditions precedent as set out in the section headed "Conditions Precedent" below.

The Vendor, being the sole shareholder of the Target Company, is an investment holding company wholly owned by Mr. Li. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results 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. Li is indirectly holding approximately 65.24% issued shares in the Company and is therefore a controlling shareholder of the Company. As such, Mr. Li is a connected person of the Company under Chapter 14A.07 of the Listing Rules. As the Vendor is a wholly-owned entity of Mr. Li, the Vendor is considered to be an associate of Mr. Li, and hence the Acquisition constitutes a connected transaction under the Listing Rules. As all relevant percentage ratios (as defined in Rule 14.04 (9) of the Listing Rules) applicable to the Acquisition are less than 5% and some of them exceed 0.1%, the Acquisition constitutes a connected transaction for the Company which is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

(2) THE SUPPLEMENTAL AGREEMENT

The Target Company has on 1 May 2019 entered into the Service Agreement, pursuant to which the Target Company would provide cloud-based software and database services to Huobi Global Limited for the term of one year. Upon Completion, the transactions under the Service Agreement will become continuing connected transactions between the Target Company and an associate of the controlling shareholder of the Company under 14A.60 of the Listing Rules.

In view of the above, the Target Company and Huobi Global Limited entered into the Supplemental Agreement on 19 July 2019 to set out the terms and conditions for the continuation of provision of services by the Target Company (the “**Service Transaction**”) which will come into effect upon Completion of the Acquisition.

LISTING RULES IMPLICATIONS

As Huobi Global Limited is indirectly controlled by Mr. Li, it is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, upon Completion, the Supplemental Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(1), as the Service Transaction under the Supplemental Agreement (i) is on normal commercial terms and within the ordinary course of business of the Company; and (ii) the relevant percentage ratios (as defined in Rule 14.04 (9) of the Listing Rules) applicable to the annual cap under the Supplemental Agreement are less than 5% and some of them exceed 0.1%, the Service Transaction constitutes continuing connected transactions for the Company which are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

(1) THE ACQUISITION

INTRODUCTION

On 19 July 2019 (after trading hours), the Purchaser, the Vendor and Mr. Li (as the Vendor's guarantor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, which represent the entire issued share capital of the Target Company, at a consideration of HK\$6 million.

SALE AND PURCHASE AGREEMENT

Date: 19 July 2019 (after trading hours)

Parties: (1) Vendor: Huobi (International) Investment Limited, a company incorporated under the laws of Gibraltar and wholly owned by Mr. Li

(2) Purchaser: Huobi Investment Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company

(3) Guarantor: Mr. Li

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an investment holding company and is wholly owned by Mr. Li, a controlling shareholder of the Company, hence the Vendor is considered to be an associate of Mr. Li. Accordingly, the Vendor is an associate of a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matters

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, free from all charges, liens, equities, encumbrances, claims or restrictions of any nature whatsoever or all form of encumbrance and together with all rights and benefits attached or accruing thereto at or after Completion including the rights to receive all dividends and distribution made or declared at or after the Completion Date.

The performance of the Vendor's obligations under the Sale and Purchase Agreement is guaranteed by Mr. Li as the Vendor's guarantor whereby the Vendor and Mr. Li shall bear joint and several liabilities in respect of the performance of the obligations by the Vendor under the Sale and Purchase Agreement.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Consideration for the Acquisition

The Consideration payable by the Purchaser to the Vendor for the Acquisition of the Sale Shares shall be HK\$6,000,000 (Hong Kong Dollars Six Million Only) which shall be paid or settled in cash on Completion.

The Consideration will be financed by the internal resources of the Group.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser. The Consideration was determined with reference to the net asset value of the Target Company of HK\$6,869,175 based on the unaudited management accounts of the Target Company as at 30 June 2019, which will be more reflective of the value of the Target Company. As the business operation of the Target Company was at its early stage, and more money is needed to be spent on the infrastructure of its business, a discount of approximately 10% was applied for the determination of the Consideration.

Having considered the above, the Directors (including the independent non-executive Directors) consider the Acquisition and the Consideration are fair and reasonable and on normal commercial terms and that the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Acquisition is conditional upon, inter alia, satisfaction (or waiver) of the following (if applicable):

- (i) the Board passing the requisite ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the Company having completed and being satisfied with the results of the Due Diligence Review;
- (iii) the warranties under the Sale and Purchase Agreement remaining true, accurate and not misleading in all respects on or before the Completion Date;
- (iv) no material adverse change having occurred on or before the Completion Date; and

- (v) (if necessary) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated under the Sale and Purchase Agreement having been granted, received or obtained and not revoked.

If the Conditions Precedent are not fulfilled (or waived for condition (ii) to (iv) above, as the case maybe) on or before the Long Stop Date, the Sale and Purchase Agreement shall (unless otherwise agreed in writing by the Parties) terminate and the Vendor shall refund any of the Consideration received by the Vendor (if any) to the Purchaser without interest within seven (7) Business Days after termination and none of the parties will have any claim against the other in respect of any matter or thing arising out of or in connection with the Sale and Purchase Agreement save for the obligations of the Vendor to refund any of the Consideration received and any antecedent breach of any obligation under the Sale and Purchase Agreement.

Completion

Completion shall take place on the Completion Date.

BACKGROUND OF THE ACQUISITION

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, the Vendor is wholly-owned by Mr. Li (a controlling shareholder of the Company) and hence is considered to be an associate of Mr. Li. Accordingly, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Having considered the principal activities of the Group, and after arm's length negotiation between the Vendor and the Purchaser, it is considered that the Acquisition and the Consideration are on normal commercial terms which are fair and reasonable and entering into the Sale and Purchase Agreement are in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP AND THE VENDOR

The principal businesses of the Group include contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products.

The Vendor is a company incorporated in Gibraltar and is an investment holding company. It is beneficially and wholly owned by Mr. Li, a controlling shareholder of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company

The Target Company is a company incorporated in Japan with limited liability in 2018. The principal businesses of the Target Company include provision of data centre related services, including but not limited to data storage and backup, data centre operation and maintenance.

As at the date of the Sale and Purchase Agreement, the Vendor is the sole legal and beneficial owner of the Sale Shares.

Financial information of the Target Company

The unaudited financial information prepared in accordance with the HKFRS of the Target Company are as follows:

	For the year ended 28 February 2019 HK\$	For the period from 1 March 2019 to 30 June 2019 HK\$
Revenue	–	2,460,580
Loss before tax	5,501,081	1,507,964
Loss after tax	5,501,081	1,507,964

The unaudited net asset value of the Target Company amounted to approximately HK\$6,869,000 based on its unaudited financial statement as at 30 June 2019.

REASONS FOR THE ACQUISITION

As mentioned in the Company's interim report for the six months ended 31 March 2019, due to the competitive industry as well as the uncertainty of the economic and political environment, the Company is facing significant challenges ahead. To mitigate the risks and to achieve long-term sustainability, it is necessary for the Company to explore various business opportunities to expand the Group's business into other areas, such as technology services. The Acquisition is a good opportunity for the Company to step into new sustainable business and achieve long-term return to the Shareholders.

Taking into account the benefits of the Acquisition to the Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the Vendor is a wholly-owned entity of Mr. Li (who is indirectly holding approximately 65.24% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules) and therefore is considered to be an associate of Mr. Li, the Acquisition and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all relevant percentage ratios (as defined in Rule 14.04(9) of the Listing Rules) applicable to the Acquisition are less than 5% and some of them exceed 0.1%, the Acquisition constitutes a connected transaction which is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

None of the Directors attended the Board meeting to approve the Acquisition and the ancillary matters has a material interest in the Sale and Purchase Agreement and therefore none of the Directors are required to abstain from voting in respect of the Sale and Purchase Agreement and the Acquisition.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

(2) THE SUPPLEMENTAL AGREEMENT

The Target Company has on 1 May 2019 entered into the Service Agreement, pursuant to which the Target Company would provide cloud-based software and database services to Huobi Global Limited for the term of one year at the service fee of JPY 17 million per month. As Huobi Global Limited is indirectly controlled by Mr. Li (who is indirectly holding approximately 65.24% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules), it is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Service Agreement between the Target Company and the associate of a connected person of the Company will become continuing connected transactions under 14A.60 of the Listing Rules upon Completion of the Acquisition.

In view of the above, the Target Company and Huobi Global Limited entered into the Supplemental Agreement on 19 July 2019 to set out the terms and conditions for the continuation of provision of services by the Target Company (the “**Service Transaction**”) which will come into effect upon Completion of the Acquisition.

As such, the Supplemental Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules upon completion of the Acquisition.

Principal terms of the Supplemental Agreement are summarized as follows:

Date:	19 July 2019
Parties:	Party A: Huobi Global Limited Party B: the Target Company
Services Provided:	Usage of cloud-based software and database services such as the Amazon Web Services
Service Fee:	JPY 17 Million per month
Term:	From the Completion Date to 30 April 2020
Basis of determination of the consideration:	With reference to the basis of determination of the annual fee under the Service Agreement which is determined on a costs plus a maximum of 10% premium basis

HISTORICAL TRANSACTION AMOUNTS

Huobi Global Limited and the Target Company did not conduct any similar transactions as those under the Service Agreement and the Supplemental Agreement in the past. Therefore, there is no historical amount to be provided.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The annual caps for the Service Transaction under the Supplemental Agreement are set forth below:–

Period	1 August 2019* to 30 September 2019	1 October 2019 to 30 April 2020
Maximum Transaction Amount	JPY 34 Million (Approximately HKD2,467,040)	JPY 119 Million (Approximately HKD8,634,640)

* The commencement date of the Supplemental Agreement shall be the Completion Date, which shall be a date no earlier than 1 August 2019.

The maximum transaction amounts for each period are determined with reference to the aggregate amount of monthly Service Fee payable under each period.

INFORMATION OF HUOBI GLOBAL LIMITED

Huobi Global Limited is a company incorporated in Seychelles and is indirectly controlled by Mr. Li.

The major businesses of Huobi Global Limited include (but without limitation) the operation of a leading global digital asset trading platform.

REASONS AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The Supplemental Agreement are entered into as part of the Target Company's regular ongoing business arrangement in relation to the business and operation of the Target Company and in particular, to provide cloud-based software and database services.

Upon Acquisition, the Group would be able to expand its business to cloud-based services, which is in line with the Group's existing strategies of exploring various opportunities and to expand the Group's business into other areas, including technology services and financial technology services.

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

INTERNAL CONTROL POLICIES AND MEASURES

The Company has adopted the following internal control policies and measures to ensure that the Service Transaction is conducted in accordance with the Listing Rules and to safeguard the interests of the Company and the Shareholders as a whole:–

- (a) In respect of the Service Fee payable to the Target Company by Huobi Global Limited for the services provided, such Service Fee will be charged on the basis of cost plus a premium. The management of the Company is aware that the provision of cloud-based software and database services is highly customized for each client, and there is a lack of direct market comparables or prevailing market rates for the services provided. However, the management of the Company will continue to monitor the rate of premium charged through the business department of the Company to ensure that the services fee charged under the Supplemental Agreement will not be less favourable for any identical or similar services provided by the Target Company to other independent third parties. The business department will also conduct periodic market research by obtaining price quotations from other database services supplier for similar services provided, to ensure that the Service Fee charged by the Target Company under the Supplemental Agreement, with respect to the quality of the services provided, are fair and reasonable and is in the interests of the Company and its Shareholders as a whole. In the event that the business department becomes aware of the existence of the supply of any identical or similar services by other database services supplier at more favourable terms, the Target Company may exercise the right of termination under the Supplemental Agreement by giving a three (3) months' prior written notice and enter into new agreements for the supply of services with respect to the market references, in order to safeguard the interests of the Company and its Shareholders as a whole;
- (b) The Company's external auditors will conduct annual review of the Service Transaction to confirm that the Service Transaction is carried out in accordance with the Company's pricing policies and in accordance with the Supplemental Agreement, approved by the Board and has not exceeded the annual caps of the Service Transaction; and
- (c) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the Service Transactions to ensure that (i) the Service Transaction is conducted in the ordinary and usual course of business of the Company, (ii) the internal control policies and measures are in place, and (iii) the Service Transaction is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Huobi Global Limited is indirectly controlled by Mr. Li (who is indirectly holding approximately 65.24% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules), it is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(1), as the Service Transaction under the Supplemental Agreement (i) is on normal commercial terms and within the ordinary course of business of the Company; and (ii) the relevant percentage ratios (as defined in Rule 14.04 (9) of the Listing Rules) applicable to the Supplemental Agreement are less than 5% and some of them exceed 0.1%, the Service Transaction constitutes continuing connected transactions for the Company which are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement;
“Board”	The board of Directors;
“Business Day”	a day (other than Saturdays, Sundays and public holidays) on which licensed banks in Hong Kong are generally open for business;
“Company”	Pantronics Holdings Limited (桐成控股有限公司), a company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement;

“Completion Date”	Within 7 Business Days immediately following the satisfaction (or waiver) of all the conditions precedent as defined under the Sale and Purchase Agreement or such other date as may be agreed by the parties to the Sale and Purchase Agreement;
“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;
“Consideration”	the total consideration for the Sale Shares in the amount of HK\$6 million;
“Director(s)”	The director(s) of the Company;
“Due Diligence Review”	a due diligence review and investigation on Target Company including without limitation to its assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects;
“Group”	the Company and its subsidiaries;
“HKFRS”	the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Huobi Global Limited”	a company incorporated with limited liability under the law of Seychelles and is indirectly controlled by Mr. Li;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Long Stop Date”	19 September 2019 or any other later date as may be agreed between the parties of the Sale and Purchase Agreement;
“Mr. Li”	Mr. Li Lin, a controlling shareholder of the Company;
“Purchaser”	Huobi Investment Limited, a wholly-owned subsidiary of the Company, which is incorporated in Hong Kong;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Vendor and the Purchaser on 19 July 2019, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares;
“Sale Shares”	the entire issued share capital of the Target Company and comprising of all the voting rights of the Target Company;
“Service Agreement”	the service agreement entered into between Huobi Global Limited and the Target Company on 1 May 2019;
“Shareholder(s)”	holder(s) of the Share(s);
“Shares”	ordinary share(s) of HK\$0.001 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 19 July 2019 entered into between Huobi Global Limited and the Target Company, which will be effective on the Completion Date;
“Target Company”	Win Techno Inc., a company incorporated in Japan with limited liability;
“Vendor”	Huobi (International) Investment Limited, a company incorporated under the laws of Gibraltar and wholly-owned by Mr. Li;

“Warranties” means the representations, warranties and undertakings given by the Vendor contained in the Sale and Purchase Agreement; and

“%” per cent.

By order of the Board
PANTRONICS HOLDINGS LIMITED
Lee Chris Curl
Executive Director

Hong Kong, 19 July 2019

As at the date of this announcement, the Board comprises (1) Mr. Lee Chris Curl and Mr. Lan Jianzhong as the executive Directors; and (2) Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin as independent non-executive Directors.