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**迪信通**  
北京迪信通商貿股份  
有限公司  
**BEIJING DIGITAL  
TELECOM CO., LTD.**  
*(a joint stock limited  
company incorporated in the  
People's Republic of China  
with limited liability)*  
**(Stock Code: 6188)**

  
**华实控股**  
Huafa Industrial Investment  
华发集团旗下企业  
珠海華發實體產業投資控股  
有限公司  
**ZHUHAI HUAFA  
INDUSTRIAL  
INVESTMENT  
HOLDING CO., LTD.\***  
*(a limited liability company  
established in the People's  
Republic of China)*

  
**香港華發**  
HK Huafa Investment  
華發集團旗下企業  
香港華發投資控股有限公司  
**HONG KONG HUAFA  
INVESTMENT  
HOLDINGS LIMITED**  
*(a limited liability company  
incorporated in Hong Kong)*

### JOINT ANNOUNCEMENT

- (1) **THE SHARE PURCHASE AGREEMENT IN RELATION TO THE SALE AND PURCHASE OF DOMESTIC SHARES OF BEIJING DIGITAL TELECOM CO., LTD.;**
- (2) **THE CONCERT PARTY AGREEMENT IN RELATION TO, *INTER ALIA*, THE ENTRUSTMENT OF VOTING RIGHTS OVER DOMESTIC SHARES OF BEIJING DIGITAL TELECOM CO., LTD.;**
- (3) **POSSIBLE MANDATORY CONDITIONAL CASH OFFER BY ZHUHAI HUAFA INDUSTRIAL INVESTMENT HOLDING CO., LTD\* FOR ALL THE ISSUED DOMESTIC SHARES OF BEIJING DIGITAL TELECOM CO., LTD. (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY ZHUHAI HUAFA INDUSTRIAL INVESTMENT HOLDING CO., LTD\* AND PARTIES ACTING IN CONCERT WITH IT);**
- (4) **POSSIBLE MANDATORY CONDITIONAL CASH OFFER BY GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED ON BEHALF OF HONG KONG HUAFA INVESTMENT HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED H SHARES OF BEIJING DIGITAL TELECOM CO., LTD.; AND**
- (5) **RESUMPTION OF TRADING**

Financial Adviser to  
Zhuhai Huafa Industrial Investment Holding Co., Ltd\* and  
Hong Kong Huafa Investment Holdings Limited

  
**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL  
**Guotai Junan Capital Limited**

## **THE SHARE PURCHASE AGREEMENT**

The Board has been informed by the Transferors that the Transferors, together with the Liu Family, entered into the Share Purchase Agreement with Zhuhai Huafa Industrial on 29 January 2021 (after trading hours) pursuant to which the Transferors have conditionally agreed to sell, and Zhuhai Huafa Industrial has conditionally agreed to purchase, the Sale Shares on Completion, free from Encumbrances and together with all rights attaching to them (including but not limited to all rights to dividends or distributions declared on the Sale Shares at any time on or after the date of Completion), the details of which are as set forth below:

- (1) Di Er Tong shall sell, and Zhuhai Huafa Industrial shall purchase, an aggregate of 101,300,000 Domestic Shares (representing approximately 13.83% of the entire issued share capital of the Company and all Domestic Shares held by Di Er Tong as at the date of this joint announcement) for an aggregate consideration of RMB324,454,127 (equivalent to approximately HK\$389,267,099); and
- (2) Digital Science & Technology shall sell, and Zhuhai Huafa Industrial shall purchase, an aggregate of 8,569,060 Domestic Shares (representing approximately 1.17% of the entire issued share capital of the Company as at the date of this joint announcement) for an aggregate consideration of RMB27,445,873 (equivalent to approximately HK\$32,928,462).

Completion shall only occur if all Conditions have been satisfied or waived by Zhuhai Huafa Industrial.

It is currently intended that, after Completion and the closing of the Offers, Mr. Liu Donghai will remain as an executive Director of the Company, while Mr. Liu Yajun and Ms. Liu Wencui (both executive Directors of the Company) will resign from their position as Directors of the Company at the earliest possible time permitted under the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws.

## **THE CONCERT PARTY AGREEMENT**

The Board has been informed by the Transferors that the Transferors entered into the Concert Party Agreement with Zhuhai Huafa Industrial and the Liu Family on 29 January 2021 (after trading hours).

Pursuant to the Concert Party Agreement:

- (1) following Completion and for the duration of the Term, the Transferors and the Liu Family shall take concerted action with and shall act in accordance with the will of Zhuhai Huafa Industrial in relation to any Shares that the Transferors and/or the Liu Family hold directly or indirectly (and in relation to any Shares that the Transferors and/or the Liu Family hold indirectly, the Transferors and the Liu Family shall procure the direct holder of such Shares to act in accordance with the will of Zhuhai Huafa Industrial) as follows:

- (a) exercising the voting rights in meetings of the Board and general meetings of Shareholders;
  - (b) exercising the right of proposing resolutions to the Board and in general meetings of Shareholders;
  - (c) exercising the right to nominate candidates for Directors and Supervisors of the Company;
  - (d) exercising the power to convene extraordinary general meetings of the Company;
  - (e) ensuring that the Directors nominated by them shall act in accordance with the will of Zhuhai Huafa Industrial when exercising their voting rights in Board meetings of the Company; and
  - (f) any other major matters related to the Company's operation and management;
- (2) following Completion and for the duration of the Term, the Transferors and the Liu Family will irrevocably entrust to Zhuhai Huafa Industrial the right to exercise all direct and indirect shareholder rights in relation to the Entrusted Shares, including voting rights at general meetings of Shareholders, voting rights in Board meetings, the right to propose resolutions in general meetings of Shareholders and meetings of the Board, the right to nominate Directors, Supervisors and senior management of the Company and the right to convene extraordinary general meetings or general meetings of the Company and meetings of Directors, except that the Transferors and the Liu Family shall retain the right, as the holders or ultimate beneficial owners of the Entrusted Shares, to dividends on the Entrusted Shares and the right to dispose the Entrusted Shares in accordance with applicable laws and regulations and the articles of association of the Company (provided that such disposal does not violate the terms of any agreement entered into by the parties);
- (3) in the event that total number of Shares has changed due to reasons including but not limited to bonus issue or share split, the number of Entrusted Shares shall be adjusted accordingly in a pro rata manner to ensure the percentage of the Entrusted Shares out of the total number of Shares as at the date of the Concert Party Agreement remains reasonably unchanged;
- (4) during the Term, neither the Transferors nor the Liu Family may cease to act in concert with Zhuhai Huafa Industrial or terminate the Concert Party Agreement;
- (5) in the event any of the Transferors and the Liu Family (or persons nominated or designated by them) proposes to resign from his or her position as a director, supervisor or senior management of the Company, such resignation must be on the condition that it shall not materially affect the Company's operations and be approved by the Board or the board of supervisors (as applicable) of the Company;

- (6) unless with the written consent of Zhuhai Huafa Industrial, from the date of the Concert Party Agreement until the expiry of the Term, the Transferors and the Liu Family shall not (and shall procure their concert parties not to) sell, purchase, transfer by way of gift, grant options over, Encumber, grant third party rights over or engage in any “dealing” (as defined in Appendix 10 of the Listing Rules) in the Shares, or enter into any contract to carry out any of the foregoing;
- (7) notwithstanding the above, during the Term, in the event that Zhuhai Huafa Industrial and/or parties acting in concert with it (excluding the Transferors and the Liu Family) hold more than 50% of the issued share capital of the Company (excluding the Entrusted Shares), each of the Transferors and the Liu Family may engage in a Disposal or a Pledge, provided that in the case of a Disposal, Zhuhai Huafa Industrial shall enjoy a right of first refusal over such Disposal on the same terms and conditions agreed to by such seller with the counterparty. No such Disposal or Pledge shall (i) affect the obligations of each of the Transferors and the Liu Family to act in concert with Zhuhai Huafa Industrial under the Concert Party Agreement in relation to all Shares which remain to be held by them or (ii) result in the triggering of any obligation by any party to the Concert Party Agreement to make a general offer for the Shares under the Takeovers Code;
- (8) the Transferors and the Liu Family shall be liable to compensate Zhuhai Huafa Industrial for any breaches of the obligations and undertakings of the Transferors and the Liu Family in relation to the acting in concert undertakings or dealing restrictions under the Concert Party Agreement for liquidated damages of RMB120,000,000, provided that Zhuhai Huafa Industrial shall nevertheless be entitled to claim for any amount exceeding RMB120,000,000 if the losses suffered by Zhuhai Huafa Industrial in respect of any breach by the Transferors and the Liu Family under the Concert Party Agreement exceeds such sum; and
- (9) the Transferors and the Liu Family shall jointly and severally indemnify Zhuhai Huafa Industrial and Hong Kong Huafa for any losses, costs and expenses incurred by them as a result of the Transferors, the Liu Family and/or parties acting in concert with any of them (excluding Zhuhai Huafa Industrial and parties acting in concert with it) acquiring voting rights, whether during or after the Term, which results in the triggering of any obligation on the part of Zhuhai Huafa Industrial, the Transferors and the Liu Family and/or parties acting in concert with any of them to make a general offer for the Shares under the Takeovers Code.

#### **Term of the Concert Party Agreement**

Provided that there is no breach of any applicable law, the Concert Party Agreement shall be valid for the Term.

## **THE LOAN AGREEMENT**

Pursuant to the Loan Agreement dated 29 January 2021, the Transferors have agreed to provide the Company with the Loan, which is interest-free, being the consideration for the Sale Shares payable to the Transferors under the Share Purchase Agreement less the relevant taxes payable by the Transferors. In that regard, an interest-free loan of RMB22,842,905.24 is payable by Digital Science & Technology to the Company, and an interest-free loan of RMB268,665,595.61 shall be payable by Di Er Tong to the Company. Pursuant to the terms of the Loan Agreement, the Transferors have directed Zhuhai Huafa Industrial to, and Zhuhai Huafa Industrial has agreed to, pay the consideration for the Sale Shares (after deducting the relevant tax payable by the Transferors) into the Escrow Account, upon which the payment obligations of Digital Science & Technology and Di Er Tong to the Company under the Loan Agreement shall be deemed fulfilled. The initial term of the Loan shall be one year, and each of the Company and Zhuhai Huafa Industrial shall have the right to unilaterally extend the term of the Loan by up to three years, provided that upon the consent of the Company and Zhuhai Huafa Industrial, 20% of the Loan amount may be repaid to the Transferors prior to the maturity date of the Loan. No security or guarantee has been granted or is expected to be granted by the Group in favour of any of the Transferors and/or the Liu Family in connection with the Loan, and the Loan does not confer any special benefit on any of the Transferors and/or the Liu Family.

## **PURPOSE OF ENTERING INTO THE LOAN AGREEMENT, THE SHARE PURCHASE AGREEMENT AND THE CONCERT PARTY AGREEMENT**

The global outbreak of the COVID-19 pandemic has resulted in a significant negative impact on the global economy, especially in the retail sector. The Company's online and offline retail sales channel therefore continue to face significant challenges as a result of the COVID-19 pandemic. The recent geopolitical tensions have also led to unfavourable trade policies which have materially and adversely affected the Company's business performance and results of operations. As a result, the Company's business operations and the financial performance have been materially and adversely affected. In view of the difficult challenges faced by the Company, the Transferors intend to advance the Loan under the Loan Agreement to provide critical liquidity support to the Company. The Company intend to use the proceeds of the Loan as working capital and for the daily operations of the Group.

While the Loan will be interest-free and the Transferors and the Liu Family may not derive immediate benefit from entering into the transactions contemplated under the Share Purchase Agreement, the Concert Party Agreement and the Loan Agreement, the Company, the Transferors and the Liu Family believe that the entry into such transactions, taken as a whole, would be desirable and beneficial for each of the Company, the Transferors and the Liu Family for the following reasons:

- (1) as mentioned above, the advance of the Loan would provide critical liquidity support to the Company in light of the present difficult business environment that it faces during the COVID-19 pandemic;

- (2) given the size and scope of Zhuhai Huafa Industrial's business operations in the PRC, it would be beneficial to the long-term growth of the Company to introduce Zhuhai Huafa Industrial as a strategic investor of the Company to explore opportunities to expand its service offering and achieve the medium – to long-term growth; and
- (3) while the Transferors and the Liu Family would not receive the consideration for the Sale Shares immediately upon Completion as such proceeds would initially be advanced as the Loan and the Transferors and the Liu Family would also be entrusting the Entrusted Shares to Zhuhai Huafa Industrial under the Concert Party Agreement upon Completion, taking into account the relatively short-term nature of the Concert Party Agreement and the Loan Agreement, the Transferors and the Liu Family nevertheless believe that the transactions as a whole would form the basis of a partnership with Zhuhai Huafa Industrial that may in the long term increase the value of the investments made by the Transferors and the Liu Family in the Company.

### **POSSIBLE MANDATORY CONDITIONAL CASH OFFER**

As at the date of this joint announcement, save for the 109,869,060 Domestic Shares representing the Sale Shares to be acquired by Zhuhai Huafa Industrial, neither Zhuhai Huafa Industrial, Hong Kong Huafa and/or parties acting in concert with them (excluding the Transferors and the Liu Family) holds any Shares nor other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the date of this joint announcement, save for the 109,869,060 Domestic Shares representing the Sale Shares and the 168,362,098 Domestic Shares representing the Entrusted Shares, neither the Transferors nor the Liu Family holds any Shares nor other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

Upon Completion, Zhuhai Huafa Industrial will have acquired or controlled approximately 37.99% of the voting rights of the Company (comprising the voting rights of the Sale Shares and the Entrusted Shares, which represent approximately 15% and 22.99% of the entire issued share capital of the Company respectively as at the date of this joint announcement). Pursuant to Rule 26.1 of the Takeovers Code, Zhuhai Huafa Industrial will be required to make a mandatory conditional general offer in cash for all the outstanding Domestic Shares and H Shares other than those already owned or agreed to be acquired by Zhuhai Huafa Industrial or parties acting in concert with it.

Subject to and upon Completion, (i) Zhuhai Huafa Industrial will make the Domestic Share Offer; and (ii) Guotai Junan Securities, on behalf of Hong Kong Huafa, will make the H Share Offer in compliance with the Takeovers Code on the following basis:

For each Domestic Share. . . . . RMB3.2030 in cash  
 For each H Share. . . . . HK\$3.8429 in cash



The H Share Offer Price of HK\$3.8429 per H Share is equivalent to RMB3.2030, being the Domestic Share Offer Price and converted into Hong Kong dollars, based on the median exchange rate of RMB0.8335 to HK\$1 quoted by The People's Bank of China on 1 February 2021, being the date of this joint announcement.

Based on the issued share capital of the Company as at the date of this joint announcement, there will be 59,468,842 Domestic Shares and 394,760,400 H Shares subject to the Domestic Share Offer and the H Share Offer, respectively.

The Domestic Share Offer is valued at RMB190,478,701 (equivalent to approximately HK\$228,528,736) based on the Domestic Share Offer Price of RMB3.2030 per Domestic Share; and the H Share Offer is valued at HK\$1,517,024,742 based on the H Share Offer Price of HK\$3.8429 per H Share. The Offeror Group intends to finance the total consideration of the Offers from its internal resources. Guotai Junan Capital, the financial adviser to the Offeror Group in respect of the Domestic Share Offer and the H Share Offer respectively, is satisfied that sufficient financial resources are available to the Offeror Group to satisfy the consideration for the Sale Shares and the full acceptance of the Offers.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR**

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee comprising Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing (being all the non-executive Directors), and Mr. Lv Tingjie, Mr. Lv Pingbo, and Mr. Zhang Senquan (being all of the independent non-executive Directors) has been established by the Company to advise the Independent Shareholders in relation to the terms and conditions of the Offers, in particular as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code. The Independent Financial Adviser will be appointed by the Company after approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers. Shareholders are advised to take no action until they have received the Composite Document which will contain, *inter alia*, the advice of the Independent Board Committee and the Independent Financial Adviser.

#### **DESPATCH OF THE COMPOSITE DOCUMENT**

It is the intention of the Offeror Group and the Company to combine the offer document and the offeree board circular into the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, *inter alia*, (i) details of the Offers (including the expected timetable and terms of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offers; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, together with the Forms of Acceptance to the Shareholders is required to be despatched within 21 days of the date of this joint announcement. As the making of the Offers are conditional upon Completion, an application will be made to seek the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to be within seven days after Completion, if required.

**WARNING:**

**Shareholders and potential investors of the Company should note that the Offers may or may not be materialised as the making of the Offers are subject to Completion. Furthermore, the Offers are conditional upon the fulfilment of acceptance conditions. If the total number of Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. on the date of closing of the Offers (or such later time, or date as the Offeror Group may, subject to the Takeovers Code, decide) under the Offers, together with the voting rights of the Company acquired before or during the Offers, does not result in the Offeror Group and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse.**

**Accordingly, the Shareholders and potential investors of the Company should exercise caution when dealing in the Domestic Shares and the H Shares. If Shareholders and potential investors have any doubt about their position, they should consult their professional advisers. Further announcement(s) will be made by the Offeror Group and the Company regarding the Offers as and when appropriate.**

**RESUMPTION OF TRADING**

At the request of the Company, trading in the H Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 1 February 2021 pending the release of this joint announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the H Shares on the Stock Exchange with effect from 9:00 a.m. on 2 February 2021.



## THE SHARE PURCHASE AGREEMENT

The Board has been informed by the Transferors that the Transferors, together with the Liu Family, entered into the Share Purchase Agreement with Zhuhai Huafa Industrial on 29 January 2021 (after trading hours). A summary of the major terms of the Share Purchase Agreement is set out below.

Date: 29 January 2021 (after trading hours)

Parties: (i) the Transferors;  
(ii) the Liu Family; and  
(iii) Zhuhai Huafa Industrial.

### Subject matter

Subject to the terms and conditions of the Share Purchase Agreement, the Transferors have conditionally agreed to sell, and Zhuhai Huafa Industrial has conditionally agreed to purchase, the Sale Shares on Completion, the details of which are as set forth below:

- (1) Di Er Tong shall sell, and Zhuhai Huafa Industrial shall purchase, an aggregate of 101,300,000 Domestic Shares (representing approximately 13.83% of the entire issued share capital of the Company and all Domestic Shares held by Di Er Tong as at the date of this joint announcement) for an aggregate consideration of RMB324,454,127 (equivalent to approximately HK\$389,267,099); and
- (2) Digital Science & Technology shall sell, and Zhuhai Huafa Industrial shall purchase, an aggregate of 8,569,060 Domestic Shares (representing approximately 1.17% of the entire issued share capital of the Company as at the date of this joint announcement) for an aggregate consideration of RMB27,445,873 (equivalent to approximately HK\$32,928,462).

As disclosed in the announcement of the Company dated 28 January 2021, the pledge of 63,270,000 Domestic Shares (which forms part of the Sale Shares) previously granted by Di Er Tong in favour of Beijing Jingdixin Technology Company Limited\* (北京京迪信科技有限公司) was released and a new pledge of 63,270,000 Domestic Shares (which will form part of the Entrusted Shares) was granted by Digital Science & Technology in favour of the same pledgee on the same date. The Sale Shares will be sold to Zhuhai Huafa Industrial upon Completion, free from Encumbrances and together with all rights attaching to them (including but not limited to all rights to dividends or distributions declared on the Sale Shares at any time on or after the date of Completion). Following Completion, the Transferors will hold a total of 168,362,098 Domestic Shares (which will form the Entrusted Shares), of which 130,332,098 Domestic Shares held by Digital Science & Technology will be subject to the Existing Share Pledges.

## **Consideration for the Sale Shares**

The total consideration for the Sale Shares shall be RMB351,900,000 (equivalent to approximately HK\$422,195,561), or RMB3.2030 per Sale Share (equivalent to approximately HK\$3.8429), which was determined among Zhuhai Huafa Industrial and the Transferors after arms' length negotiations, taking into account (i) the trading price and the trading volume of the H Shares of the Company, (ii) the unaudited consolidated net asset value of the Group as at 30 June 2020, (iii) the liquidity of the Domestic Shares and (iv) the future prospects of the Company.

Pursuant to the terms of the Share Purchase Agreement and the Loan Agreement, at Completion, Zhuhai Huafa Industrial shall pay the consideration for the Sale Shares (after deducting the relevant tax payable by the Transferors) in the amount of RMB291,508,500.85 into the Escrow Account and shall pay an amount equal to the relevant tax payable by the Transferors to an account designated by the Transferors, upon which Zhuhai Huafa Industrial's obligation to pay the consideration for the Sale Shares under the Share Purchase Agreement shall be deemed fulfilled.

## **Conditions precedent to Completion**

The obligation of Zhuhai Huafa Industrial to complete the sale and purchase of the Sale Shares shall be subject to the following Conditions:

- (1) the H Shares remaining listed and traded on the Stock Exchange, and no notice or instruction from the Stock Exchange or the SFC having been received before Completion specifying that the Company is not suitable for listing pursuant to the Listing Rules, or that the listing of the H Shares on the Stock Exchange will or may (for whatever reason) be cancelled or suspended for more than ten (10) consecutive Business Days (other than any suspension pending approval of this joint announcement by the Stock Exchange or the SFC or resulting from any transactions contemplated under the Share Purchase Agreement);
- (2) each of Zhuhai Huafa Industrial and Hong Kong Huafa having obtained:
  - (a) approvals by the State-owned Assets Supervision and Administration Commission and the results of any concentration of business operators review by the Chinese anti-monopoly authority; and
  - (b) if required, approvals by the National Development and Reform Commission and the Ministry of Commerce;
- (3) the Transferors and the Company having executed the Loan Agreement, the drawdown conditions under the Loan Agreement having been fulfilled, and the Loan Agreement remaining in full force and effect as at Completion;
- (4) the Transferors, the Liu Family and Zhuhai Huafa Industrial having executed the Concert Party Agreement, and the Concert Party Agreement remaining in full force and effect as at Completion;

- (5) if required, the Group and its principal associates (the companies in which the Company holds not more than 50% of the issued shares which have a significant impact on the business operation of the Company) having obtained written consents in connection with the sale and purchase of the Sale Shares from certain banks/financial institutions in accordance with the relevant facility or financing agreements entered into by the Group and such banks/financial institutions; and
- (6) the Transferors and the Liu Family not having breached any of the obligations set out in the Share Purchase Agreement, and the warranties made by the Transferors and the Liu Family continuously remaining true and accurate in all material respects and not misleading in any material respect at all times between from the date of the Share Purchase Agreement until the date of Completion.

Zhuhai Huafa Industrial may waive any of the Conditions (1), (5) and (6) above, conditionally or unconditionally, by way of written notice to the Transferors and the Liu Family at any time. The parties to the Share Purchase Agreement shall use their best efforts to procure the satisfaction of the Conditions under their respective control prior to the Long Stop Date, and Zhuhai Huafa Industrial has the right to request that the Transferors and the Liu Family fulfil any waived Conditions within a separately agreed alternative time period after Completion. Other than Conditions (1), (5) and (6) above, no other Condition is waivable by any of the parties to the Share Purchase Agreement.

As at the date of this joint announcement, the approval by the State-owned Assets Supervision and Administration Commission as described in paragraph (2)(a) above has been obtained. Save as aforesaid, none of the Conditions has been fulfilled or (if applicable) waived as at the date of this joint announcement.

If any Condition has not been fulfilled or waived by Zhuhai Huafa Industrial, if applicable, in each case in accordance with the Share Purchase Agreement or if any Condition has become incapable of being satisfied on or prior to the Long Stop Date, Zhuhai Huafa Industrial may at its discretion elect to, by notifying the other parties to the Share Purchase Agreement in writing on or prior to the Long Stop Date (without prejudice to any other rights or remedies that it may have):

- (1) (if applicable) waive any such Condition(s) and proceed to Completion to the extent feasible; or
- (2) subject to the agreement of the other parties to the Share Purchase Agreement, postpone the Long Stop Date and Completion to allow sufficient time for the parties to the Share Purchase Agreement to fulfil any such Condition(s).

If neither (1) or (2) above has occurred on or prior to the Long Stop Date, the Share Purchase Agreement shall automatically be terminated on the Long Stop Date, upon which the Share Purchase Agreement shall no longer be valid. Upon any such termination, no party to the Share Purchase Agreement shall be entitled to take any action to claim for any relief (including specific performance or any other rights or remedies) except in relation to any breach of the terms of the Share Purchase Agreement that occurred prior to such termination.

## **Completion**

Completion is conditional upon the Conditions having been satisfied (or waived by Zhuhai Huafa Industrial, if applicable) on or prior to the Long Stop Date. Completion is expected to take place within three (3) Business Days of all Conditions having been satisfied (or waived by Zhuhai Huafa Industrial, if applicable), or at any other time as mutually agreed in writing by Zhuhai Huafa Industrial, the Transferors and the Liu Family.

## **Proposed change of composition of the Board and senior management of the Company**

The Transferors and the Liu Family have undertaken to Zhuhai Huafa Industrial that upon Completion, the Transferors and the Liu Family shall procure, at the earliest possible time permitted under the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws, that Zhuhai Huafa Industrial and its concert parties (excluding the Transferors and the Liu Family) shall have the right, at their sole discretion, depending on the number of non-executive Directors willing to resign at the direction of Zhuhai Huafa Industrial and its concert parties at the relevant time, to nominate either:

- A. not less than 6 executive or non-executive Directors and to procure:
- (1) the amendment of the articles of association of the Company to increase the maximum number of Directors not less than 11;
  - (2) the resignations of certain Directors to be specified by Zhuhai Huafa Industrial; and
  - (3) the appointment of not less than 6 persons to be nominated by Zhuhai Huafa Industrial as executive or non-executive Directors;

in each case subject to the requirements of the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws; or

- B. not less than 8 executive or non-executive Directors and to procure:
- (1) the amendment of the articles of association of the Company to increase the maximum number of Directors to not less than 15; and
  - (2) the appointment of not less than 8 persons to be nominated by Zhuhai Huafa Industrial as executive or non-executive Directors.

in each case subject to the requirements of the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws.

It is currently intended that, after Completion and the closing of the Offers, Mr. Liu Donghai will remain as an executive Director of the Company, while Mr. Liu Yajun and Ms. Liu Wencui (both executive Directors of the Company) will resign from their position as Directors of the Company at the earliest possible time permitted under the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws.

After Completion, Zhuhai Huafa Industrial may take steps to optimize the organizational structure of the Company based on its management needs, and may nominate candidates to the Board to be appointed as the chief business officer, chief financial officer, chief strategy officer and chief human resources officer of the Company respectively. The Transferors and the Liu Family shall exercise their voting rights to procure that the candidates nominated by Zhuhai Huafa Industrial shall be appointed by the Company at the earliest possible time permitted under the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws, and take such other steps including but not limited to procuring the Company to sign employment contracts with the candidates nominated by Zhuhai Huafa Industrial, recommending the nomination of such candidates to the Board, and procuring the Directors appointed by them to vote in favour of the appointment of such candidates at the relevant Board meetings, in each case subject to the requirements of the Takeovers Code, the Listing Rules, the articles of association of the Company and other applicable laws.

### **Tax Indemnity**

After Completion, if the Company suffers any losses or expenses in relation to any material tax liabilities concerning the Company, its subsidiaries and/or its principal associates (the companies in which the Company holds not more than 50% of the issued shares which have a significant impact on the business operation of the Company) that were subsisting prior to Completion (the “**Tax Liabilities**”) and such Tax Liabilities exceed RMB30,000,000, Zhuhai Huafa Industrial shall have the right to require the Transferors and the Liu Family to jointly and severally indemnify the Company for the portion of such Tax Liabilities that exceed RMB30,000,000.

### **Guarantees**

Zhuhai Huafa Industrial shall have the right to enforce the Restricted Assets if the Transferors and the Liu Family were in breach of the Share Purchase Agreement, the Loan Agreement or the Concert Party Agreement which results in any losses suffered by Zhuhai Huafa Industrial and its related parties. The Transferors and the Liu Family have further undertaken not to create any additional Encumbrance on or dispose of any of the Restricted Assets during the period from the date of the Share Purchase Agreement to three (3) years after the date of Completion, unless assets of equal or higher value are offered to replace the Restricted Assets.

Further, Mr. Liu Donghai has undertaken to procure his spouse, Ms. Zhao Bin, to provide certain guarantee along with Mr. Liu Donghai to Zhuhai Huafa Industrial in connection with any liability arising from any breach of the Share Purchase Agreement, the Loan Agreement or the Concert Party Agreement by the Transferors and the Liu Family.

### **Entrusted Shares**

In relation to the Entrusted Shares, the Transferors and the Liu Family have undertaken that they shall not (1) amend or supplement the terms of the Existing Share Pledges; or (2) create any additional Encumbrance on the Entrusted Shares apart from the Existing Share Pledges without the prior written consent of Zhuhai Huafa Industrial. For further details regarding the entrustment of the Entrusted Shares, please see the paragraph headed “The Concert Party Agreement – Subject matter” below.

## **Undertakings in relation to obligations under the Takeovers Code**

Each of the Transferors and the Liu Family have provided, *inter alia*, the following undertakings in the Share Purchase Agreement:

- (1) each of the Transferors and the Liu Family shall comply with their obligations under the Takeovers Code, including but not limited to those in respect of disclosure of dealings;
- (2) during the Offer Period and the period of six (6) months after the Offer Period expires, unless with the prior written consent of Zhuhai Huafa Industrial, each of the Transferors and the Liu Family shall not directly or indirectly conduct any “dealing” (as defined in Appendix 10 of the Listing Rules) in the Shares or the relevant securities of the Company (as defined under the Takeovers Code);
- (3) each of the Transferors and the Liu Family shall procure and ensure that parties acting in concert with it and its related parties (including but not limited to spouse, close relatives and companies controlled by any of the foregoing parties) comply with the obligations mentioned above; and
- (4) each of the Transferors and the Liu Family shall compensate Zhuhai Huafa Industrial and its related parties for any losses, damages, expenses arising as a result of any of the above undertakings being inaccurate, incorrect, untrue, misleading, or a breach of any of the above undertakings.

## **THE CONCERT PARTY AGREEMENT**

The Board has been informed by the Transferors that the Transferors entered into the Concert Party Agreement with the Liu Family and Zhuhai Huafa Industrial on 29 January 2021 (after trading hours). A summary of the major terms of the Concert Party Agreement is set out below.

Date: 29 January 2021 (after trading hours)

Parties: (i) the Transferors;  
(ii) the Liu Family; and  
(iii) Zhuhai Huafa Industrial.



## Subject matter

Pursuant to the Concert Party Agreement:

- (1) following Completion and for the duration of the Term, the Transferors and the Liu Family shall take concerted action with and shall act in accordance with the will of Zhuhai Huafa Industrial in relation to any Shares that the Transferors and/or the Liu Family hold directly or indirectly (and in relation to any Shares that the Transferors and/or the Liu Family hold indirectly, the Transferors and the Liu Family shall procure the direct holder of such Shares to act in accordance with the will of Zhuhai Huafa Industrial) as follows:
  - (a) exercising the voting rights in meetings of the Board and general meetings of Shareholders;
  - (b) exercising the right of proposing resolutions to the Board and in general meetings of Shareholders;
  - (c) exercising the right to nominate candidates for Directors and Supervisors of the Company;
  - (d) exercising the power to convene extraordinary general meetings of the Company;
  - (e) ensuring that the Directors nominated by them shall act in accordance with the will of Zhuhai Huafa Industrial when exercising their voting rights in Board meetings of the Company; and
  - (f) any other major matters related to the Company's operation and management;
- (2) following Completion and for the duration of the Term, the Transferors and the Liu Family will irrevocably entrust to Zhuhai Huafa Industrial the right to exercise all direct and indirect shareholder rights in relation to the Entrusted Shares, including voting rights at general meetings of Shareholders, voting rights in Board meetings, the right to propose resolutions in general meetings of Shareholders and meetings of the Board, the right to nominate Directors, Supervisors and senior management of the Company and the right to convene extraordinary general meetings or general meetings of the Company and meetings of Directors, except that the Transferors and the Liu Family shall retain the right, as the holders or ultimate beneficial owners of the Entrusted Shares, to dividends on the Entrusted Shares and the right to dispose the Entrusted Shares in accordance with applicable laws and regulations and the articles of association of the Company (provided that such disposal does not violate the terms of any agreement entered into by the parties);
- (3) in the event that total number of Shares has changed due to reasons including but not limited to bonus issue or share split, the number of Entrusted Shares shall be adjusted accordingly in a pro rata manner to ensure the percentage of the Entrusted Shares out of the total number of Shares as at the date of the Concert Party Agreement remains reasonably unchanged;

- (4) during the Term, neither the Transferors nor the Liu Family may cease to act in concert with Zhuhai Huafa Industrial or terminate the Concert Party Agreement;
- (5) in the event any of the Transferors and the Liu Family (or persons nominated or designated by them) proposes to resign from his or her position as a director, supervisor or senior management of the Company, such resignation must be on the condition that it shall not materially affect the Company's operations and be approved by the Board or the board of supervisors (as applicable) of the Company;
- (6) unless with the written consent of Zhuhai Huafa Industrial, from the date of the Concert Party Agreement until the expiry of the Term, the Transferors and the Liu Family shall not (and shall procure their concert parties not to) sell, purchase, transfer by way of gift, grant options over, Encumber, grant third party rights over or engage in any "dealing" (as defined in Appendix 10 of the Listing Rules) in the Shares, or enter into any contract to carry out any of the foregoing;
- (7) notwithstanding the above, during the Term, in the event that Zhuhai Huafa Industrial and/or parties acting in concert with it (excluding the Transferors and the Liu Family) hold more than 50% of the issued share capital of the Company (excluding the Entrusted Shares), each of the Transferors and the Liu Family may sell the Entrusted Shares (a "**Disposal**") or pledge the Entrusted Shares to a bank or financial institution authorised under applicable laws of Hong Kong or the PRC to secure a bona fide loan or an extension of credit extended by such bank or financial institution (a "**Pledge**"), provided that in the case of a Disposal, Zhuhai Huafa Industrial shall enjoy a right of first refusal over such Disposal on the same terms and conditions agreed to by such seller with the counterparty. No such Disposal or Pledge shall (i) affect the obligations of each of the Transferors and the Liu Family to act in concert with Zhuhai Huafa Industrial under the Concert Party Agreement in relation to all Shares which remain to be held by them or (ii) result in the triggering of any obligation by any party to the Concert Party Agreement to make a general offer for the Shares under the Takeovers Code;
- (8) the Transferors and the Liu Family shall be liable to compensate Zhuhai Huafa Industrial for any breaches of the obligations and undertakings of the Transferors and the Liu Family in relation to the acting in concert undertakings or dealing restrictions under the Concert Party Agreement for liquidated damages of RMB120,000,000, provided that Zhuhai Huafa Industrial shall nevertheless be entitled to claim for any amount exceeding RMB120,000,000 if the losses suffered by Zhuhai Huafa Industrial in respect of any breach by the Transferors and the Liu Family under the Concert Party Agreement exceeds such sum; and
- (9) the Transferors and the Liu Family shall jointly and severally indemnify Zhuhai Huafa Industrial and Hong Kong Huafa for any losses, costs and expenses incurred by them as a result of the Transferors, the Liu Family and/or parties acting in concert with any of them (excluding Zhuhai Huafa Industrial and parties acting in concert with it) acquiring voting rights, whether during or after the Term, which results in the triggering of any obligation on the part of Zhuhai Huafa Industrial, the Transferors and the Liu Family and/or parties acting in concert with any of them to make a general offer for the Shares under the Takeovers Code.

## **Term of the Concert Party Agreement**

Provided that there is no breach of any applicable law, the Concert Party Agreement shall be valid for the period (the “**Term**”) from the date of Completion until the point at which any of the following events occurs, whichever is the earliest:

- (1) the date which is three years after the date of Completion;
- (2) subject to the compliance by each of the Transferors and the Liu Family to the terms of the Concert Party Agreement, (i) each of the Transferors and the Liu Family ceasing to hold any Shares and (ii) each member of the Liu Family ceasing to hold any position as a Director, supervisor or senior management of the Company; and
- (3) Zhuhai Huafa Industrial providing a written notification to the other parties of the Concert Party Agreement to terminate the Concert Party Agreement.

Upon the expiry of the Term, the parties may determine to extend the Term for one additional year. The Term should, however, be no longer than four years in any event.

## **THE LOAN AGREEMENT**

The Company entered into the Loan Agreement with the Transferors and Zhuhai Huafa Industrial on 29 January 2021 (after trading hours). A summary of the major terms of the Loan Agreement is set out below.

Date: 29 January 2021 (after trading hours)

Parties: (i) the Company;  
(ii) Di Er Tong;  
(iii) Digital Science & Technology; and  
(iv) Zhuhai Huafa Industrial.

### **Subject matter**

Pursuant to the Loan Agreement, the Transferors have agreed to provide the Company with the Loan, which is interest-free, being the consideration for the Sale Shares payable to the Transferors under the Share Purchase Agreement (less the relevant taxes payable by the Transferors) in the amount of RMB291,508,500.85. In that regard, an interest-free loan of RMB22,842,905.24 is payable by Digital Science & Technology to the Company, and an interest-free loan of RMB268,665,595.61 shall be payable by Di Er Tong to the Company. Pursuant to the terms of the Loan Agreement, the Transferors have directed Zhuhai Huafa Industrial to, and Zhuhai Huafa Industrial has agreed to, pay the consideration for the Sale Shares (after deducting the relevant tax payable by the Transferors) in the amount of RMB291,508,500.85 into the Escrow Account, upon which the payment obligations of Digital Science & Technology and Di Er Tong to the Company under the Loan Agreement shall be deemed fulfilled. No security or guarantee has been granted or is expected to be granted by the Group in favour of any of the Transferors and/or the Liu Family in connection with the Loan, and the Loan does not confer any special benefit on any of the Transferors and/or the Liu Family.

## **Conditions precedent to funding**

The obligations of each Transferor to fund its respective portion of the Loan is subject to:

- (1) the Loan Agreement and the Share Purchase Agreement having been executed and being in full force and effect;
- (2) the Company having passed all necessary resolutions approving the terms of Loan Agreement and the Loan;
- (3) the Conditions having all been fulfilled or waived in writing by Zhuhai Huafa Industrial, the Transferors having issued written payment instructions to Zhuhai Huafa Industrial in accordance with the terms of the Share Purchase Agreement; and
- (4) the Company having set up an escrow account (the “**Escrow Account**”) for receiving the Loan proceeds, and has implemented the account supervision measures set out in the Loan Agreement.

As at the date of this joint announcement, the conditions precedent to the funding obligations under the Loan Agreement set out in paragraphs (1) and (2) above have been fulfilled, while the other conditions precedent to the funding obligations under the Loan Agreement have not been fulfilled or (if applicable) waived.

## **Maturity/Early Repayment**

The initial term of the Loan shall be one year, and each of the Company and Zhuhai Huafa Industrial shall have the right to unilaterally extend the term of the Loan to up to three years, provided that upon the consent of the Company and Zhuhai Huafa Industrial, 20% of the Loan amount may be repaid to the Transferors prior to the maturity date of the Loan.

## **PURPOSE OF ENTERING INTO THE LOAN AGREEMENT, THE SHARE PURCHASE AGREEMENT AND THE CONCERT PARTY AGREEMENT**

The global outbreak of the COVID-19 pandemic has resulted in a significant negative impact on the global economy, especially in the retail sector. The Company’s online and offline retail sales channel therefore continue to face significant challenges as a result of the COVID-19 pandemic. The recent geopolitical tensions have also led to unfavourable trade policies which have materially and adversely affected the Company’s business performance and results of operations. As a result, the Company’s business operations and the financial performance have been materially and adversely affected. In view of the difficult challenges faced by the Company, the Transferors intend to advance the Loan under the Loan Agreement to provide critical liquidity support to the Company. The Company intend to use the proceeds of the Loan as working capital and for the daily operations of the Group.

While the Loan will be interest-free and the Transferors and the Liu Family may not derive immediate benefit from entering into the transactions contemplated under the Share Purchase Agreement, the Concert Party Agreement and the Loan Agreement, the Company, the Transferors and the Liu Family believe that the entry into such transactions, taken as a whole, would be desirable and beneficial for each of the Company, the Transferors and the Liu Family for the following reasons:

- (1) as mentioned above, the advance of the Loan would provide critical liquidity support to the Company in light of the present difficult business environment that it faces during the COVID-19 pandemic;
- (2) given the size and scope of Zhuhai Huafa Industrial's business operations in the PRC, it would be beneficial to the long-term growth of the Company to introduce Zhuhai Huafa Industrial as a strategic investor of the Company to explore opportunities to expand its service offering and achieve the medium – to long-term growth; and
- (3) while the Transferors and the Liu Family would not receive the consideration for the Sale Shares immediately upon Completion as such proceeds would initially be advanced as the Loan and the Transferors and the Liu Family would also be entrusting the Entrusted Shares to Zhuhai Huafa Industrial under the Concert Party Agreement upon Completion, taking into account the relatively short-term nature of the Concert Party Agreement and the Loan Agreement, the Transferors and the Liu Family nevertheless believe that the transactions as a whole would form the basis of a partnership with Zhuhai Huafa Industrial that may in the long term increase the value of the investments made by the Transferors and the Liu Family in the Company.

## **POSSIBLE MANDATORY CONDITIONAL CASH OFFER**

### **The Offers**

As at the date of this joint announcement, save for the 109,869,060 Domestic Shares representing the Sale Shares to be acquired by Zhuhai Huafa Industrial, neither Zhuhai Huafa Industrial, Hong Kong Huafa and/or parties acting in concert with them (excluding the Transferors and the Liu Family) holds any Shares nor other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the date of this joint announcement, save for the 109,869,060 Domestic Shares representing the Sale Shares and the 168,362,098 Domestic Shares representing the Entrusted Shares, neither the Transferors nor the Liu Family holds any Shares nor other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

Upon Completion, Zhuhai Huafa Industrial will have acquired or controlled approximately 37.99% of the voting rights of the Company (comprising the voting rights of the Sale Shares and the Entrusted Shares, which represent approximately 15% and 22.99% of the entire issued share capital of the Company respectively as at the date of this joint announcement). Pursuant to Rule 26.1 of the Takeovers Code, Zhuhai Huafa Industrial will be required to make a mandatory conditional general offer in cash for all the outstanding Domestic Shares and H Shares other than those already owned or agreed to be acquired by Zhuhai Huafa Industrial or parties acting in concert with it.

Subject to and upon Completion, (i) Zhuhai Huafa Industrial will make the Domestic Share Offer; and (ii) Guotai Junan Securities, on behalf of Hong Kong Huafa, will make the H Share Offer in compliance with the Takeovers Code on the following basis:

For each Domestic Share. . . . . RMB3.2030 in cash

For each H Share. . . . . HK\$3.8429 in cash

The Domestic Share Offer Price of RMB3.2030 per Domestic Share is the same as the purchase price per Sale Share under the Share Purchase Agreement which was arrived at after arm's length negotiations between Zhuhai Huafa Industrial and the Transferors.

The H Share Offer Price of HK\$3.8429 per H Share is equivalent to RMB3.2030, being the Domestic Share Offer Price and converted into Hong Kong dollars, based on the median exchange rate of RMB0.8335 to HK\$1 quoted by The People's Bank of China on 1 February 2021, being the date of this joint announcement.

**Comparisons of value**

The Domestic Share Offer Price of RMB3.2030 and the H Share Offer Price of HK\$3.8429 represent:

- (1) a premium of approximately 7.04% to the closing price of HK\$3.5900 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 19.27% to the average closing price of HK\$3.2220 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (3) a premium of approximately 37.39% to the average closing price of HK\$2.7970 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (4) a premium of approximately 65.98% to the average closing price of HK\$2.3153 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;



- (5) a discount of approximately 46.90% over the unaudited consolidated net asset value of the Company of approximately RMB6.0316 per Share as at 30 June 2020; and
- (6) a discount of approximately 48.87% over the audited consolidated net asset value of the Company of approximately RMB6.2648 per Share as at 31 December 2019.

### **Highest and lowest H Share prices**

During the six-month period prior to commencement of the Offer Period and up to and including the Last Trading Day, the highest closing price of the H Share was HK\$3.60 per H Share as quoted on the Stock Exchange on 28 January 2021 and the lowest closing price of the Shares was HK\$1.43 per H Share as quoted on the Stock Exchange on 11 and 12 August 2020 respectively.

### **Value of the Offers**

As at the date of this joint announcement, there were 337,700,000 Domestic Shares and 394,760,400 H Shares in issue. Assuming that there is no change in the issued share capital of the Company prior to the making of the Offers and on the basis of the Domestic Share Offer Price at RMB3.2030 per Domestic Share and the H Share Offer Price at HK\$3.8429 per H Share, the entire issued share capital of the Company is valued at approximately HK\$2,814,772,071.

Based on the foregoing and taking into account the 168,362,098 Domestic Shares held by the Transferors, the aggregate cash consideration payable by Zhuhai Huafa Industrial under the Domestic Share Offer (assuming full acceptances under the Domestic Share Offer) will be approximately RMB190,478,701 (equivalent to approximately HK\$228,528,736), and the aggregate cash consideration payable by Hong Kong Huafa under the H Share Offer (assuming full acceptances under the H Share Offer) will be approximately HK\$1,517,024,742.

### **Confirmation of financial resources**

Zhuhai Huafa Industrial intends to finance the consideration payable under the Domestic Share Offer and Hong Kong Huafa intends to finance the consideration under the H Share Offer from the internal resources of Zhuhai Huafa Industrial and Hong Kong Huafa respectively. Guotai Junan Capital, as the financial adviser to the Offeror Group, is satisfied that sufficient resources are available to the Offeror Group (i) for Completion; and (ii) to satisfy the amount of funds required for full acceptance of the Offers.

### **Dealing and interest in the Company's securities**

Save for the acquisition of the Sale Shares, none of the Offeror Group and the parties acting in concert with it (excluding the Transferors and the Liu Family) had dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period immediately prior to the date of this joint announcement, being the date of commencement of the Offer Period.

Save as disclosed below, none of the Transferors and the Liu Family had dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period immediately prior to the date of this joint announcement, being the date of commencement of the Offer Period:

<b>Name</b>	<b>Date of transaction (D/M/Y)</b>	<b>Nature of transaction</b>	<b>On/off the Stock Exchange</b>	<b>No. of Shares involved</b>	<b>Average transaction price per Share (RMB)</b>
Digital Science & Technology	10/09/2020	Sale of Domestic Shares	Off	9,600,000	2.90
Digital Science & Technology	26/09/2020	Sale of Domestic Shares	Off	24,868,842	2.9354

### **Other arrangements**

The Offeror Group (with regard to information relating to the Offeror Group and/or shares of the Offeror Group) and/or the Company (with regard to information relating to the Transferors and/or the Liu Family and/or the Shares) confirm that as at the date of this joint announcement:

- (1) save for the Share Purchase Agreement and the Concert Party Agreement and as disclosed in the section “Shareholding Structure of the Company”, none of the Offeror Group and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (2) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror Group and/or any party acting in concert with any of them;
- (3) save for the Share Purchase Agreement, the Concert Party Agreement and the Existing Share Pledges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror Group or the Shares and which might be material to the Offers;
- (4) there is no agreement or arrangement to which the Offeror Group and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (5) none of the Offeror Group and parties acting in concert with any of them has received any irrevocable commitment(s) to accept or reject the Offers;

- (6) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror Group and/or parties acting in concert with any of them has borrowed or lent;
- (7) save for the consideration for the Sale Shares, being RMB351,900,000, there is no (i) other consideration, compensation or benefit in any form paid or payable by the Offeror Group to the Transferors and/or the Liu Family and (ii) no special deal between (a) the Transferors and/or the Liu Family on the one hand, and (b) the Offeror Group and/or parties acting in concert with any of them on the other hand;
- (8) there is no understanding, arrangement or agreement which constitutes a special deal between (i) any Shareholder and (ii)(a) Zhuhai Huafa Industrial, Hong Kong Huafa and their concert parties, (b) the Group or any of its associated companies, or (c) the Transferors, the Liu Family and their concert parties; and
- (9) there is no other agreement, arrangement or understanding (including any compensation arrangement) which constitutes a special deal existing between (i) the Offeror Group and/or parties acting in concert with any of them (excluding the Transferors and the Liu Family) and (ii)(a) the Transferors and/or the Liu Family and their concert parties or (b) any Shareholders.

### **Conditions of the Offers**

The Offers are only conditional upon valid acceptances of the Offers being received (and not, where permitted, withdrawn) by 4:00 p.m. on the date of closing of the Offers to be announced in the Composite Document (or such later time or date as the Offeror Group may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares acquired before or during the Offers, will result in the Offeror Group and parties acting in concert (including the Transferors and the Liu Family) with it holding more than 50% of the voting rights of the Company.

The Offeror Group will issue an announcement in relation to the revision, extension or lapse of the Offers or the fulfilment of such condition in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror Group can declare the Offers unconditional as to acceptances is 7:00 p.m. on the 60th day after the despatch of the Composite Document (or such later date to which the Executive may consent).

**The Offers may or may not become unconditional. Shareholders and investors of the Company should exercise caution when dealing in securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.**

### **Effect of accepting the Offers**

By accepting the Domestic Share Offer or the H Share Offer, the Shareholders will sell their tendered Shares to Zhuhai Huafa Industrial or Hong Kong Huafa (as the case may be) free from all Encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or

after the date on which the Offers are made, being the date of despatch of the Composite Document. The Company confirms that as at the date of this joint announcement, (i) it has not declared any dividend which remains unpaid, (ii) it does not intend to declare any dividend the record date of which will fall on or after the date of the Composite Document, and (iii) it does not intend to make, declare or pay any future dividend or make other distributions until the closing of the Offers.

Acceptance of the Offers will be irrevocable and will not be capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong stamp duty**

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the H Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the H Shares; or (ii) the consideration payable by Hong Kong Huafa in respect of the relevant acceptances of the H Share Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by Hong Kong Huafa to the relevant Shareholders accepting the H Share Offer. Hong Kong Huafa will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders accepting the H Share Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the H Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). No stamp duty is payable in connection with the acceptances of the Domestic Share Offer.

### **Payment**

Payment (after deducting the accepting Shareholders' share of stamp duty) in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following the later of the date on which the Offers become or are declared unconditional and the date on which duly completed form(s) of acceptance and the relevant documents of title of the Domestic Shares or the H Shares (as the case may be) are received by Zhuhai Huafa Industrial or Hong Kong Huafa to render each such acceptance complete and valid.

### **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror Group and/or parties acting in concert, the Company, Guotai Junan Capital and their respective directors, officers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

## Overseas Independent Shareholders

The Overseas Independent Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Independent Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Independent Shareholders in respect of such jurisdictions).

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this joint announcement and (ii) immediately upon Completion but prior to the Offers being made, assuming there is no change of the number of Shares from the date of this joint announcement up to the date of Completion but prior to the Offers being made:

Name of Shareholder	As at the date of this joint announcement		Immediately upon Completion but prior to the Offers being made	
	<i>Number of Shares</i>	<i>Approximate % of total issued share capital</i>	<i>Number of Shares</i>	<i>Approximate % of total issued share capital</i>
<b>Domestic Shares</b>				
The Transferors				
– Di Er Tong	101,300,000 <sup>(1)</sup>	13.83%	–	–
– Digital Science & Technology	176,931,158 <sup>(1)</sup>	24.16%	168,362,098 <sup>(2)(3)</sup>	22.99% <sup>(2)(3)</sup>
The Offeror Group				
– Zhuhai Huafa Industrial	–	–	109,869,060	15%
– Hong Kong Huafa	–	–	–	–
Sub-total of the Offeror Group and parties acting in concert with any of them:	278,231,158	37.99%	278,231,158	37.99%
Other Domestic Shareholders <sup>(4)</sup>	59,468,842	8.12%	59,468,842	8.12%

Name of Shareholder	As at the date of this joint announcement		Immediately upon Completion but prior to the Offers being made	
	Number of Shares	Approximate % of total issued share capital	Number of Shares	Approximate % of total issued share capital
<i>H Shares</i>				
Digital China (HK) Limited <sup>(5)</sup>	158,350,000	21.62%	158,350,000	21.62%
Dawn Galaxy International Limited <sup>(6)</sup>	42,000,000	5.73%	42,000,000	5.73%
Nelson Innovation Limited <sup>(7)</sup>	65,793,400	8.98%	65,793,400	8.98%
Other public H Shareholders	128,617,000	17.56%	128,617,000	17.56%
<b>Total:</b>	<b>732,460,400</b>	<b>100%</b>	<b>732,460,400</b>	<b>100%</b>

*Notes:*

- (1) As at the date of this joint announcement, Di Er Tong and Digital Science & Technology directly hold 101,300,000 Domestic Shares and 176,931,158 Domestic Shares of the Company respectively, and Mr. Liu Donghai, Ms. Liu Hua, Mr. Liu Songshan, Ms. Liu Wencui, Ms. Liu Yongmei and Ms. Liu Wenli respectively hold 22.12%, 4.74%, 45.90%, 8.78%, 4.74% and 12.72% interests in Di Er Tong; Mr. Liu Donghai, Ms. Liu Hua, Ms. Liu Wencui, Ms. Liu Yongmei and Ms. Liu Wenli respectively hold 84.72%, 5.06%, 3.93%, 5.06% and 1.23% interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Mr. Liu Donghai, Ms. Liu Wencui, Ms. Liu Yongmei, Ms. Liu Hua and Ms. Liu Wenli are deemed to be interested in 101,300,000 Domestic Shares and 176,931,158 Domestic Shares held by Di Er Tong and Digital Science & Technology respectively, while Mr. Liu Songshan is deemed to be interested in 101,300,000 Domestic Shares held by Di Er Tong.
- (2) Pursuant to the Concert Party Agreement and in addition to the acquisition of the Sale Shares, Zhuhai Huafa Industrial would have acquired the voting rights of such Shares (being the Entrusted Shares).
- (3) Immediately upon Completion but prior to the Offers being made, Digital Science & Technology directly holds 168,362,098 Domestic Shares of the Company, and Mr. Liu Donghai, Ms. Liu Hua, Ms. Liu Wencui, Ms. Liu Yongmei and Ms. Liu Wenli respectively hold 84.72%, 5.06%, 3.93%, 5.06% and 1.23% interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Mr. Liu Donghai, Ms. Liu Wencui, Ms. Liu Yongmei, Ms. Liu Hua and Ms. Liu Wenli are deemed to be interested in 168,362,098 Domestic Shares held by Digital Science & Technology.
- (4) As at the date of this joint announcement and to the best of the Company's knowledge, the other Domestic Shareholders include Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司) as to 7,500,000 Domestic Shares, Chengmai Dixin Changqing Investment Centre (Limited Partnership) (澄邁迪信長青投資中心(有限合夥)) as to 17,500,000 Domestic Shares, Zhuhai Gengyan Investment Centre (Limited Partnership) (珠海庚言投資中心(有限合夥)) ("Zhuhai Gengyan") as to 24,868,842 Domestic Shares and Hainan Xinli No. 1 Technology Partnership (Limited Partnership) (海南新曆壹號科技合夥企業(有限合夥)) ("Hainan Xinli") as to 9,600,000 Domestic Shares.



- (5) As at the date of this joint announcement and to the best of the Company’s knowledge, Digital China (HK) Limited (“**Digital China**”) directly holds 158,350,000 H shares of the Company, and Digital China Group Co., Ltd. (“**Digital China Group**”, a company listed on the Shenzhen Stock Exchange (SZ: 000034)) holds 100% interests in Digital China through its wholly-owned subsidiary Digital China (China) Limited (“**Digital China (China)**”). Accordingly, pursuant to the SFO, Digital China Group and Digital China (China) are deemed to be interested in 158,350,000 H Shares held by Digital China.
- (6) As at the date of this joint announcement and to the best of the Company’s knowledge, Dawn Galaxy International Limited is ultimately held by Mr. Cai Yuanchun, Ms. Zhong Jiping, Mr. Chen Ping and Mr. Sun Shaojian.
- (7) Nelson Innovation Limited directly holds 65,793,400 H Shares of the Company, and Liu Qiangdong holds 72.90% interests in JD.com, Inc. through his wholly-owned subsidiary Max Smart Limited, and JD.com, Inc. holds 100% interests in Nelson Innovation Limited through its wholly-owned subsidiary JD.com Investment Limited. Accordingly, pursuant to the SFO, Liu Qiangdong, Max Smart Limited, JD.com, Inc. and JD.com Investment Limited are deemed to be interested in 65,793,400 H Shares held by Nelson Innovation Limited.

As at the date of this joint announcement, other than the Domestic Shares and the H Shares as disclosed above, there are no outstanding options, warrants or convertible securities issued by the Company, and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

## INFORMATION ON THE GROUP

The Company is a joint stock limited company established in the PRC, the H Shares of which are listed on the Stock Exchange. The Group focuses on the sales of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Group provides comprehensive services to consumers, ranging from sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalized services for mobile phones and aftersales services.

Certain information of the Company as extracted from (i) the Company’s audited financial results as disclosed in the annual report of the Company for the year ended 31 December 2019 and (ii) the Company’s unaudited financial results as disclosed in the interim report of the Company for the six months ended 30 June 2020 is set out as follows:

	<b>For the year ended 31 December 2019 (audited) RMB’000</b>	<b>For the six months ended 30 June 2020 (unaudited) RMB’000</b>
Revenue	15,350,953	6,125,193
Profit before taxation for the year/period	332,146	81,207.78
Profit for the year/period	260,452	64,797
Profit attributable to owners of the Company	257,439	63,466
Equity attributable to owners of the Company	3,013	1,331

## **INFORMATION ON OFFEROR GROUP**

Zhuhai Huafa Industrial is a limited liability company established in the PRC with limited liability, and is a direct wholly-owned subsidiary of Zhuhai Huafa, a state-owned enterprise wholly-owned by Zhuhai SASAC. Zhuhai Huafa Industrial is primarily engaged in equity investment and asset management.

Hong Kong Huafa is a limited liability company incorporated in Hong Kong with limited liability, and is a direct wholly-owned subsidiary of Zhuhai Huafa, a state-owned enterprise wholly-owned by Zhuhai SASAC. Hong Kong Huafa is primarily engaged in investment holding.

Zhuhai Huafa is a large state-owned conglomerate in the PRC with its business operations primarily conducted in Zhuhai City, Guangdong Province, which is situated at the southern end of the Pearl River Delta Region. Zhuhai Huafa was established as a wholly state-owned enterprise in 1980 and is under the direct supervision of Zhuhai SASAC. Zhuhai Huafa and its subsidiaries initially focused on property development in Zhuhai, and has since expanded into other cities and diversified to include other businesses. Currently, Zhuhai Huafa and its subsidiaries are primarily engaged in six major businesses, namely, urban operations, financial services, property development, industrial investment, sales and trading and modern services. In addition, Zhuhai Huafa and its subsidiaries also engage in other businesses which are incidental to their six major businesses.

As at the date of this joint announcement, the directors of Zhuhai Huafa Industrial are Ms. Guo Jin, Mr. Xie Hui, Mr. Xie Hao and Mr. Wang Zhe, and the ultimate beneficial owner of Zhuhai Huafa Industrial is Zhuhai Huafa, and the directors of Hong Kong Huafa are Mr. Li Guangning, Mr. Xie Wei, Mr. Guo Lingyong, Mr. Wu Jiang and Ms. Li Yanmei, and the ultimate beneficial owner of Hong Kong Huafa is Zhuhai Huafa.

## **THE INTENTION OF THE OFFEROR GROUP ON THE GROUP**

### **Operational matters**

Pursuant to the Share Purchase Agreement, following the closing of the Offers, the Offeror Group intends to strengthen the strategic management and control of the Company, and to scientifically formulate the strategic objectives of the Company by combining them with Zhuhai Huafa's future development strategy.

### **Proposed change of composition of the Board and senior management of the Company**

The Board is currently made up of three executive Directors, being Mr. Liu Donghai, Mr. Liu Yajun and Ms. Liu Wencui; three non-executive Directors, being Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing, and three independent non-executive Directors, being Mr. Lv Tingjie, Mr. Lv Pingbo, and Mr. Zhang Senquan.

In relation to the proposed changes to the composition of the Board and senior management of the Company, please refer to the paragraph headed "The Share Purchase Agreement – Proposed change of composition of the Board and senior management of the Company" above.

Any changes to the composition of the Board and senior management of the Company will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules.

### **Public float and maintaining the listing status of the Company**

The Offeror Group intends to maintain the listing of the Shares on the Stock Exchange after the closing of the Offers.

The Stock Exchange has stated that if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (1) a false market exists or may exist in the trading of the Shares; or
- (2) there are insufficient Shares in public hands to maintain an orderly market;

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

In order to ensure that within a reasonable period after the closing of the Offers, there will be not less than 25% of the Company's total number of issued Shares held by the public, Zhuhai Huafa Industrial, Hong Kong Huafa and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps within a reasonable period following the closing of the Offers to ensure that at least 25% of the total number of issued Shares will be held by the public.

## **GENERAL**

### **Profit Warning Announcement**

Reference is made to the Profit Warning Announcement. Shareholders and potential investors of the Company should be aware that the Profit Warning Announcement constitutes a profit forecast under Rule 10 of the Takeovers Code, and accordingly, must be reported on in accordance with Rule 10 of the Takeovers Code unless the annual results announcement of the Company for the year ended 31 December 2020 has been published prior to the next document to be sent to the Shareholders in relation to the Offers.

Given that the Profit Warning Announcement was required to be made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO, the Company was required to issue the Profit Warning Announcement as soon as practicable. The Company has encountered genuine practical difficulties in meeting the reporting requirements as set out in Rule 10 of the Takeovers Code. As a result, the Company issued the Profit Warning Announcement on 6 January 2021, notwithstanding that the Profit Warning Announcement did not fully comply with Rule 10 of the Takeovers Code, including but not limited to the requirement for the Profit Warning Announcement to be separately reported on by its auditors or accountants and financial advisers or independent financial advisers.

The profit forecast as set out in the Profit Warning Announcement will be reported on in accordance with Rule 10 of the Takeovers Code as soon as practicable and the relevant reports will be set out in the next document to be sent to the Shareholders in relation to the Offers, unless the annual results announcement of the Company for the year ended 31 December 2020 has been published prior to the next document to be sent to the Shareholders in relation to the Offers.

**Shareholders and potential investors of the Company should also note that the Profit Warning Announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Profit Warning Announcement in assessing the merits and demerits of the Offers and/or when dealing in the securities of the Company.**

### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee comprising Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing (being all the non-executive Directors), and Mr. Lv Tingjie, Mr. Lv Pingbo, and Mr. Zhang Senquan (being all of the independent non-executive Directors), who have no direct or indirect interest in the Offers, has been established by the Company, to advise the Independent Shareholders in relation to the terms and conditions of the Offers, in particular as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser will be appointed by the Company after approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers. Further announcement(s) will be made by the Company as soon as possible after the Independent Financial Adviser to the Independent Board Committee is appointed.

### **Despatch of the Composite Document**

It is the intention of the Offeror Group and the Company to combine the offer document and the offeree board circular into the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, *inter alia*, (i) details of the Offers (including the expected timetable and terms of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offers; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, together with the Forms of Acceptance to the Shareholders is required to be despatched within 21 days of the date of this joint announcement. As the making of the Offers are conditional upon Completion, an application will be made to seek the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to be within seven days after Completion, if required.

## **Number of relevant securities in issue**

As at the date of this joint announcement, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue are 732,460,400 Shares, of which there are 337,700,000 Domestic Shares and 394,760,400 H Shares.

## **Disclosure of dealings**

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code, including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror Group) of the Company and the Offeror Group are hereby reminded to disclose their dealings in any relevant securities of the Company pursuant to the requirements of the Takeovers Code. The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **WARNING**

**The Directors make no recommendation as to the fairness or reasonableness of the Offers or as to the acceptance of the Offers in this joint announcement, and strongly recommend the Independent Shareholders not to form a view on the Offers unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Offers and the letter of advice from the Independent Financial Adviser to the Independent Board Committee. Shareholders and potential investors are reminded to monitor the announcements to be made by the Company or jointly by Zhuhai Huafa Industrial, Hong Kong Huafa and the Company in respect of the progress of the Offers and are advised to exercise caution when dealing in the Shares. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.**

## RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 1 February 2021 pending the release of this joint announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the H Shares on the Stock Exchange with effect from 9:00 a.m. on 2 February 2021.

## DEFINITIONS

In this joint announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Company”	Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6188)
“Completion”	completion of the sale and purchase of the Sale Shares
“Composite Document”	the composite offer and response document to be jointly despatched by Zhuhai Huafa Industrial, Hong Kong Huafa and the Company to the Shareholders in accordance with the Takeovers Code in respect of the Offers
“Concert Party Agreement”	the concert party agreement dated 29 January 2021 entered into between the Transferors, Zhuhai Huafa Industrial and the Liu Family, the major terms of which are set out in the section headed “the Concert Party Agreement” of this joint announcement
“Conditions”	the conditions precedent to Completion
“Di Er Tong”	Beijing Di Er Tong Consulting Company Limited (北京迪爾通諮詢有限公司), a joint stock limited company established in the PRC, and collectively with Digital Science & Technology, one of the controlling shareholders of the Company as of the date of this joint announcement



“Digital Science & Technology”	Digital Science & Technology Group Limited (迪信通科技集團有限公司), a joint stock limited company established in the PRC, and collectively with Di Er Rong, one of the controlling shareholders of the Company as of the date of this joint announcement
“Director(s)”	director(s) of the Company
“Disposal”	has the meaning given to it in the section headed “the Concert Party Agreement – Subject matter” of this joint announcement
“Domestic Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1, which are subscribed for and paid up in RMB
“Domestic Share Offer”	the conditional mandatory cash offer to be made by Zhuhai Huafa Industrial for the Domestic Shares (other than those already owned or agreed to be acquired by Zhuhai Huafa Industrial and parties acting in concert with it) in accordance with the Takeovers Code
“Domestic Share Offer Price”	the price at which the Domestic Share Offer will be made, being RMB3.2030 per Domestic Share
“Encumber”	to create or grant any Encumbrance
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Entrusted Shares”	the 168,362,098 Domestic Shares held by the Transferors following Completion to be entrusted to Zhuhai Huafa Industrial in accordance with the Concert Party Agreement (representing approximately 22.99% of the total number of issued Shares as at the date of this joint announcement
“Escrow Account”	has the meaning given to it in the section headed “the Loan Agreement – Conditions precedent to funding” of this joint announcement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“Existing Share Pledges”	(1) the pledge of 67,062,098 Domestic Shares by Digital Science & Technology in favour of Bank of Tangshan Co., Ltd as disclosed in the announcement of the Company dated 31 December 2020; and (2) the pledge of 63,270,000 Domestic Shares by Digital Science & Technology to Beijing Jingdixin Technology Company Limited* (北京京迪信科技有限公司) as disclosed in the announcement of the Company dated 28 January 2021
“Group”	the Company and its subsidiaries
“Guotai Junan Capital”	Guotai Junan Capital Limited, a corporation licensed under the SFO permitted to engage in type 6 regulated activity (as defined under the SFO), and the financial adviser to the Offeror Group in respect of the Offers
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO permitted to engage in type 1 regulated activity (as defined under the SFO) and a fellow subsidiary of Guotai Junan Capital
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“H Share Offer”	the conditional mandatory cash offer to be made by Guotai Junan Securities for and on behalf of Hong Kong Huafa for the H Shares in accordance with the Takeovers Code
“H Share Offer Price”	the price at which the H Share Offer will be made, being HK\$3.8429 per H Share
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Huafa”	Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司), a company incorporated in Hong Kong with limited liability, details of which are set out in the paragraph headed “Information on the Offeror Group” in this joint announcement
“Independent Board Committee”	the independent board committee of the Board, comprising all of the non-executive Directors and independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Offers
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee in respect of the Offers

“Independent Shareholders”	Shareholders other than (i) Zhuhai Huafa Industrial, (ii) Hong Kong Huafa and (iii) parties acting in concert with them (including the Transferors and members of the Liu Family)
“Last Trading Day”	29 January 2021, being the last trading day immediately prior to the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liu Family”	Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Wencui, Ms. Liu Hua, Ms. Liu Yongmei and Ms. Liu Wenli, all of whom are siblings to each other
“Loan”	has the meaning given to it in the section headed “the Loan Agreement – Subject matter” of this joint announcement
“Loan Agreement”	the loan agreement entered into between the Transferors, the Company and Zhuhai Huafa Industrial dated 29 January 2021, the major terms of which are set out in the section headed “the Loan Agreement” of this joint announcement
“Long Stop Date”	29 July 2021 or any later date as agreed in writing between the Transferors and Zhuhai Huafa Industrial
“Mr. Liu Donghai”	Mr. Liu Donghai, an executive Director, a shareholder as to 22.12% of Di Er Tong and a director of and a shareholder as to 84.72% of Digital Science & Technology, respectively
“Mr. Liu Songshan”	Mr. Liu Songshan, a shareholder as to 45.90% of Di Er Tong
“Ms. Liu Hua”	Ms. Liu Hua, a shareholder as to 4.74% of Di Er Tong and as to 5.06% of Digital Science & Technology, respectively
“Ms. Liu Wencui”	Ms. Liu Wencui, an executive Director, a director and a shareholder as to 8.78% of Di Er Tong and a shareholder as to 3.93% of Digital Science & Technology, respectively
“Ms. Liu Wenli”	Ms. Liu Wenli, a shareholder as to 12.72% of Di Er Tong and as to 1.23% of Digital Science & Technology, respectively
“Ms. Liu Yongmei”	Ms. Liu Yongmei, a shareholder as to 4.74% of Di Er Tong and as to 5.06% of Digital Science & Technology, respectively
“Offer Period”	has the meaning ascribed to it under the Takeovers Code
“Offeror Group”	Zhuhai Huafa Industrial and Hong Kong Huafa

“Offers”	the Domestic Share Offer and the H Share Offer
“Overseas Independent Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“Pledge”	has the meaning given to it in the section headed “the Concert Party Agreement – Subject matter” of this joint announcement
“PRC”	the People’s Republic of China
“Profit Warning Announcement”	the announcement of the Company dated 6 January 2021 pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO
“Restricted Assets”	(i) equity interest held by Digital Science & Technology in 撫順深商投商用置業有限公司 (Fushun Shenshangtou Commercial Property Co., Ltd.*) and the real property held by such company as at the date of the Share Purchase Agreement; (ii) account receivables of Digital Science & Technology for amounts due from 撫順深商投商用置業有限公司 (Fushun Shenshangtou Commercial Property Co., Ltd.*); and (iii) 2,314 car park spaces in Chengdu owned by 四川迪信通置業有限公司 (Sichuan Dixintong Property Co., Ltd.*), an indirect subsidiary of Digital Science & Technology established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	109,869,060 Domestic Shares (representing approximately 15% of the entire issued share capital of the Company) to be acquired by Zhuhai Huafa Industrial pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the share purchase agreement dated 29 January 2021 entered into between the Transferors, Zhuhai Huafa Industrial and the Liu Family in relation to the sale and purchase of the Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules

“Supervisors”	supervisors of the Company
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Liabilities”	has the meaning given to it in the section headed “the Share Purchase Agreement – Tax Indemnity”
“Term”	has the meaning given to it in the section headed “the Concert Party Agreement – Term of the Concert Party Agreement” of this joint announcement
“Transferors”	Di Er Tong and Digital Science & Technology
“Zhuhai Huafa”	Zhuhai Huafa Group Co., Ltd.* (珠海華發集團有限公司), a PRC state-owned enterprise wholly-owned by Zhuhai SASAC and the controlling shareholder of Zhuhai Huafa Industrial and Hong Kong Huafa as at the date of this joint announcement
“Zhuhai Huafa Industrial”	Zhuhai Huafa Industrial Investment Holding Co., Ltd.* (珠海華發實體產業投資控股有限公司), a limited liability company established in the PRC
“Zhuhai SASAC”	State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People’s Government* (珠海市人民政府國有資產監督管理委員會)
“%”	per cent

By order of the Board of  
北京迪信通商貿股份  
有限公司  
**BEIJING DIGITAL  
TELECOM CO., LTD.**  
**LIU Donghai**  
*Chairman*

By order of the Board of  
珠海華發實體產業投資控股  
有限公司  
**ZHUHAI HUAFA  
INDUSTRIAL  
INVESTMENT  
HOLDING CO., LTD\***  
**GUO Jin**  
*Director*

By order of the Board of  
香港華發投資控股有限公司  
**HONG KONG HUAFA  
INVESTMENT  
HOLDINGS LIMITED**  
**LI Guangning**  
*Director*

The PRC, 1 February 2021

*As at the date of this joint announcement, the Board comprises the following Directors: Executive Directors: Mr. Liu Donghai, Mr. Liu Yajun and Ms. Liu Wencui; Non-executive Directors: Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing; Independent Non-executive Directors: Mr. Lv Tingjie, Mr. Lv Pingbo, and Mr. Zhang Senquan.*

*As at the date of this joint announcement, the directors of Zhuhai Huafa are Mr. Li Guangning, Mr. Ye Yuhong, Mr. Xie Wei, Mr. Chen Yi, Ms. Zhou Youfen, Mr. Huang Jianbin and Mr. Li Weijie.*

*As at the date of this joint announcement, the directors of Zhuhai Huafa Industrial are Ms. Guo Jin, Mr. Xie Hui, Mr. Xie Hao and Mr. Wang Zhe.*

*As at the date of this joint announcement, the directors of Hong Kong Huafa are Mr. Li Guangning, Mr. Xie Wei, Mr. Guo Lingyong, Mr. Wu Jiang and Ms. Li Yanmei.*

*All Directors jointly and severally accept full responsibility for the accuracy of information contained in this joint announcement (other than the information in relation to the Offeror Group and/or parties acting in concert with any of them (for this purpose, excluding the Transferors and the Liu Family)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of Zhuhai Huafa, Zhuhai Huafa Industrial and/or Hong Kong Huafa) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*All directors of Zhuhai Huafa, Zhuhai Huafa Industrial and Hong Kong Huafa jointly and severally accept full responsibility for the accuracy of information contained in this joint announcement (other than the information in relation to the Company, the Transferors and/or the Liu Family) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*\* For identification purposes only*