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## **Futong Technology Development Holdings Limited**

**富通科技發展控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 465)**

### **CONTINUING CONNECTED TRANSACTION**

#### **NEW PURCHASE AND SUPPLY AGREEMENT**

Reference is made to the continuing connected transactions as set out in the announcement of the Company dated 8 May 2013 in relation to the 2013 Purchase and Supply Agreement. On 21 December 2015, the Company entered into the 2015 Purchase and Supply Agreement with Beijing Deep Thought, pursuant to which the Group agreed to sell and purchase enterprise IT products and related IT services to and from Beijing Deep Thought on such terms and conditions and at such prices to be determined from time to time by the parties on a case by case basis after arm's length negotiations.

#### **LISTING RULES IMPLICATIONS**

Beijing Deep Thought is owned as to approximately 72.89% by Mr. Chen Jian, a Controlling Shareholder and an executive Director and is a connected person of the Company. Mr. Chen Jian acquired 72.12% and 0.77% interests in Beijing Deep Thought from his brother and an Independent Third Party respectively in April 2015. The transactions contemplated under the 2015 Purchase and Supply Agreement constitute continuing connected transaction of the Company. Beijing Deep Thought is an existing supplier and customer of the Group.

The applicable percentage ratios for the transactions contemplated under the 2015 Purchase and Supply Agreement for each of the three years ending 31 December 2018 on an annual basis is more than 0.1% but less than 5%, it is subject to reporting, announcement and annual review requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the continuing connected transactions as set out in the announcement of the Company dated 8 May 2013 in relation to the 2013 Purchase and Supply Agreement. On 8 May 2013, the Company entered into the 2013 Purchase and Supply Agreement with Beijing Deep Thought, pursuant to which the Group agreed to sell and purchase enterprise IT products and related IT services to and from Beijing Deep Thought. The 2013 Purchase and Supply Agreement will expire on 31 December 2015. In order to let the Group continue to carry out the transactions with Beijing Deep Thought, on 21 December 2015, the Company entered into the 2015 Purchase and Supply Agreement with Beijing Deep Thought, pursuant to which the Group agreed to sell and purchase enterprise IT products and related IT services to and from Beijing Deep Thought subject to the terms and conditions stated therein.

## **THE 2015 PURCHASE AND SUPPLY AGREEMENT**

### **Date**

21 December 2015

### **Parties:**

- (a) the Company; and
- (b) Beijing Deep Thought.

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### **Subject Matter**

Pursuant to the 2015 Purchase and Supply Agreement, the Group agreed to supply and purchase enterprise IT products and related IT services to and from Beijing Deep Thought on such terms and conditions and at such prices to be determined from time to time and on a case by case basis after arm's length negotiations and each sale and purchase transaction under the 2015 Purchase and Supply Agreement will be reduced into separate contract or order as agreed between the relevant member of the Group and Beijing Deep Thought provided that (a) in respect of products and services supplied by the Group, such terms and conditions of each contract or order shall be on normal commercial terms and on terms which are no more favourable to Beijing Deep Thought than those offered by the Group to purchasers who are Independent Third Party for such IT products and related IT services of comparable quantity, and such price shall be determined

with reference to the prevailing market price; (b) in respect of products and services purchased by the Group, such terms and conditions of each contract or order shall be on normal commercial terms and on terms which are no less favourable to the Group than those offered by Beijing Deep Thought to its third party purchasers who are independent of it and its connected person for such IT products and related IT services of comparable quantity, and such price shall be determined with reference to the prevailing market price; (c) the purchase price payable by Beijing Deep Thought in respect of purchases shall be payable by Beijing Deep Thought within 30 days after the date of the relevant invoice issued by the relevant member of the Group, or such longer period as the parties may agree; and (d) the purchase price payable by the relevant member of the Group in respect of purchases shall be payable by such member of the Group within 90 days after the date of the relevant invoice issued by Beijing Deep Thought, or such longer period as the parties may agree.

In determining if the prices charged by the Group are on normal commercial terms and on terms which are no more favourable to Beijing Deep Thought than those offered by the Group to purchasers who are Independent Third Parties, the Group shall compare the prices of similar goods and/or services and terms offered by the Group to at least two Independent Third Parties purchasers with that to Beijing Deep Thought on a periodic basis. The Group would sell enterprise IT products and related IT services to Beijing Deep Thought only if the terms offered to Beijing Deep Thought are no more favourable than those offered to the Independent Third Parties in respect of the similar goods and/or services.

In determining if the prices paid by the Group are on normal commercial terms and on terms which are no less favourable to the Group than those offered by Beijing Deep Thought to its third party purchasers who are independent of it and its connected persons, the Group shall obtain quotations from at least two Independent Third Parties for similar goods and/or services on a periodic basis, and also obtain at least two quotations from Beijing Deep Thought with regard to the quotations made by Beijing Deep Thought to its third party purchasers who are independent of it and its connected person, and make comparisons. The Group would purchase enterprise IT products and related IT services from Beijing Deep Thought only if the terms offered by Beijing Deep Thought are (a) no less favourable than those stated in the quotations given by the Independent Third Parties in respect of the similar goods and/or services; and (b) no less favourable than those offered by Beijing Deep Thought to its third party purchasers who are independent of it and its connected person.

### **Term**

The 2015 Purchase and Supply Agreement shall be effective from 1 January 2016 to 31 December 2018 unless terminated by either party by serving not less than 3 months' prior notice in writing.

## Termination

The 2015 Purchase and Supply Agreement may be terminated by the non-breaching party by giving 15 days' notice in writing upon the occurrence of the following events:

- (a) either party becoming liquidated or dissolved;
- (b) any member of the Group being prohibited to carry on the business of supplying enterprise IT products and related IT services, or its authorization to supply or distribute the relevant enterprise IT products and related IT services is revoked;
- (c) Beijing Deep Thought being prohibited to carry on the business of selling enterprise IT products and related IT services, or its authorization to supply or distribute the relevant enterprise IT products and related IT services is revoked; or
- (d) either party materially breached the obligations under the 2015 Purchase and Supply Agreement and failed to remedy the breach within a reasonable time as stipulated by the non-breaching party.

## HISTORICAL TRANSACTION VALUE AND THE ANNUAL CAPS

The aggregated value of sale and purchase of enterprise IT products and related IT services made between the Group and Beijing Deep Thought for the two years ended 31 December 2014 and for the eleven-month ended 30 November 2015 are set out below:

	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2014</b>	<b>For the eleven-month ended 30 November 2015</b>
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Total sale and purchase	941,000	4,378,000	10,111,000
Annual cap	15,000,000	15,000,000	15,000,000

The annual cap for the transactions under the 2013 Purchase and Supply Agreement for each of the two years ended 31 December 2014 and for the eleven-month ended 30 November 2015 had not been exceeded.

The following table sets out the annual cap for the transactions contemplated under the 2015 Purchase and Supply Agreement for each of the three years ending 31 December 2018:

	<b>2016</b>	<b>2017</b>	<b>2018</b>
Annual cap	RMB13,500,000	RMB13,500,000	RMB13,500,000
	Equivalent to approximately HK\$16,162,000	Equivalent to approximately HK\$16,162,000	Equivalent to approximately HK\$16,162,000

The proposed annual caps under the 2015 Purchase and Supply Agreement for each of the three years ending 31 December 2018 are determined with reference to (a) the historical amount paid and received by the Group under the 2013 Purchase and Supply Agreement; and (b) the current and anticipated future business development of Beijing Deep Thought.

### **REASONS FOR THE ENTERING INTO OF THE 2015 PURCHASE AND SUPPLY AGREEMENT**

The Group is principally engaged in the provision of enterprises IT infrastructure products, IT services and solutions in the PRC. The Group is pursuing to expand its exposure in the IT solutions, products and technical support services market in the PRC. As may be requested from the Group's customers, the Group may occasionally source enterprise IT products which are not among the products distributed by the Group from other suppliers. As Beijing Deep Thought is a distributor of some IT products which are not offered by the Group, the Group has been purchasing those IT products from Beijing Deep Thought upon request from its customers.

The Directors believe that through business cooperation with Beijing Deep Thought, the Group's sales and distribution network coverage can be further extended, which is beneficial to the business development and operating results of the Group.

The Directors (including the independent non-executive Directors) believe that the terms and conditions of the 2015 Purchase and Supply Agreement and the transactions contemplated therein are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

### **INFORMATION ON BEIJING DEEP THOUGHT**

Beijing Deep Thought is a company established in the PRC which is principally engaged in provision of system integration services to end-users in the PRC. Being a distributor of enterprise IT products in the PRC, the Group proactively develops its sales and distribution network through cooperation with business partners, such as system integrators like Beijing Deep Thought.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the provision of IT solutions and IT technical support services, distribution of enterprise IT products including enterprise servers, system storage products, software in association with servers and system storage products in the PRC where it is one of the industry leaders.

## **LISTING RULES IMPLICATIONS**

Beijing Deep Thought is owned as to approximately 72.89% by Mr. Chen Jian, a Controlling Shareholder and an executive Director and is a connected person of the Company. Mr. Chen Jian acquired 72.12% and 0.77% interests in Beijing Deep Thought from his brother and an Independent Third Party respectively in April 2015. The transactions contemplated under the 2015 Purchase and Supply Agreement constitute continuing connected transaction of the Company. Beijing Deep Thought is an existing supplier and customer of the Group.

The applicable percentage ratios for the transactions contemplated under the 2015 Purchase and Supply Agreement for each of the three years ending 31 December 2018 on an annual basis is more than 0.1% but less than 5%, it is subject to reporting, announcement and annual review requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save for Mr. Chen Jian, none of the directors has a material interest in the transactions contemplated under the 2015 Purchase and Supply Agreement. Mr. Chen Jian is required to abstain, and has abstained, from voting on the Board resolution for approving the 2015 Purchase and Supply Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

“Beijing Deep Thought”	北京深思軟件股份有限公司 (Beijing Deep Thought Software Co., Ltd.*), a company established under the laws of PRC
“Board”	board of Directors
“Company”	Futong Technology Development Holdings Limited (stock code: 465), a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning as ascribed to it under the Listing Rules
“Directors”	directors of the Company

*\* for identification purposes only*

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Parties”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“IT”	information technology
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“2013 Purchase and Supply Agreement”	the purchase and supply agreement entered into between the Company and Beijing Deep Thought on 8 May 2013 in relation to the sale and purchase of enterprise IT products and related IT services
“2015 Purchase and Supply Agreement”	the purchase and supply agreement entered into between the Company and Beijing Deep Thought on 21 December 2015 in relation to the sale and purchase of enterprise IT products and related IT services
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares” and each a “Share”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*For the purpose of this announcement, the exchange rate of RMB0.83529 = HK\$1.00 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount have been, could have been or may be exchanged, at this or any other rates.*

For and on behalf of the Board  
**Futong Technology Development Holdings Limited**  
**Chen Jian**  
*Chairman*

Hong Kong, 21 December 2015

*As at the date of this announcement, the executive Directors are Mr. Chen Jian and Ms. Zhang Yun; and the independent non-executive Directors are Mr. Lee Kwan Hung, Mr. Yuan Bo and Mr. Ho Pak Tai Patrick.*