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## **InvesTech Holdings Limited**

**威訊控股有限公司**

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

**(Stock Code: 1087)**

### **MAJOR TRANSACTION PROPOSED CAPITAL INJECTION INTO CHINA COMMUNICATION TECHNOLOGY COMPANY LIMITED\***

The Board wishes to announce that on 17 February 2017 (after trading hours), (i) the Company, (ii) the Target Company, and (iii) the Target Company Shareholders entered into the Capital Injection Agreement, pursuant to which the Company shall, subject to the fulfillment of Conditions Precedent, inject an amount of RMB600,000,000 to the Target Company, among which RMB18,453,813 represents payment for the additional registered capital of the Target Company, and RMB581,546,187 represents the increase in capital reserve of the Target Company. Upon Capital Injection Completion, the registered capital of the Target Company will be increased from RMB400,000,000 to RMB418,453,813, and the Company will be interested in approximately 4.41% of the enlarged share capital of the Target Company.

As more than one of the applicable percentage ratios (as defined in Rule 14.07 the Listing Rules) in relation to the Proposed Capital Injection exceed 25% but are all less than 100%, the entering into of the Capital Injection Agreement constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A Circular containing, among other things, (i) further details of the Capital Injection Agreement; (ii) the accountants' report on the Target Company; (iii) unaudited pro forma financial information of the Group upon Capital Injection Completion; and (iv) a notice of the EGM, is expected to be despatched to Shareholders on or before 10 March 2017, as additional time is required for the preparation of the information to be contained therein.

The Board wishes to announce that on 17 February 2017 (after trading hours), (i) the Company, (ii) the Target Company, and (iii) the Target Company Shareholders entered into the Capital Injection Agreement. The major terms of the Capital Injection Agreement are summarised below:

## **THE CAPITAL INJECTION AGREEMENT**

### **Date**

17 February 2017

### **Parties**

- (i) the Company;
- (ii) the Target Company; and
- (iii) the Target Company Shareholders.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Target Company, the Target Company Shareholders and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Proposed Capital Injection**

As at the date of the Capital Injection Agreement, the Target Company has a fully-paid registered capital of RMB400,000,000. Pursuant to the Capital Injection Agreement, the Company has conditionally agreed to inject an amount of RMB600,000,000 to the Target Company, among which RMB18,453,813 represents payment for the additional registered capital of the Target Company, and RMB581,546,187 represents the increase in capital reserve of the Target Company). Upon Capital Injection Completion, the registered capital of the Target Company will be increased from RMB400,000,000 to RMB418,453,813, and the Company will be

interested in approximately 4.41% of the enlarged share capital of the Target Company. Assuming there is no further capital injection to the Target Company by third party investor(s) or transfer of equity interest in the Target Company by the Target Company Shareholders after the date of the Capital Injection Agreement, the shareholding structure of the Target Company before and after Capital Injection Completion is set out as follows:

	As at the date of the Capital Injection Agreement		After Capital Injection Completion	
	Amount of capital contribution to the registered capital of the Target Company (in RMB)	Equity interest in the Target Company (%)	Amount of capital contribution to the registered capital of the Target Company (in RMB)	Equity interest in the Target Company (%)
Mr. Wu	159,920,000	39.98	159,920,000	38.21
Mr. Huang	75,280,000	18.82	75,280,000	17.99
Rongjie Investment	60,200,000	15.05	60,200,000	14.39
Shenzhen Yindingdong	39,520,000	9.88	39,520,000	9.44
Mr. Xiang	30,120,000	7.53	30,120,000	7.20
The Group	—	—	18,453,813	4.41
Changcheng Xinsheng	15,680,000	3.92	15,680,000	3.75
Mr. Feng	11,280,000	2.82	11,280,000	2.70
Shenzhen Fangdexin	8,000,000	2.00	8,000,000	1.91
Total	<u>400,000,000</u>	<u>100.00</u>	<u>418,453,813</u>	<u>100.00</u>

### Basis and Payment Method of the Proposed Capital Injection

The amount of the Proposed Capital Injection was determined after arm's length negotiation between the Company and the Target Company Shareholders after taking into account, among others, (i) the profit guarantee given by the Target Company and the Target Company Shareholders; (ii) the fair value of the Target Company of approximately RMB13.1 billion as at 30 November 2016 according to the valuation report (the “**Valuation Report**”) issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer (the “**Independent Valuer**”) using market approach in assessing the valuation of various business segments of the Target Group and cost approach in assessing the valuation of multiple properties held for investment purpose by the Target Group; (iii) the valuation of the Target Company of approximately RMB13.0 billion as agreed between the Company, the Target Company and the Target Company Shareholders after considering the Valuation Report results and situation of the Target Group (the

“**Assessed Valuation**”); (iv) the competitive strengths of the Target Company in particular its network of clients and the historical growth of its financial results; and (v) the business prospect of the Target Company, in particular its satellite communication products. The Group intends to fund the Proposed Capital Injection by its internal resources.

Upon receipt of a written notice from the Target Company in relation to: (i) the completion of the relevant registration procedures in respect of the Proposed Capital Injection with the local administration bureau of industry and commerce; and (ii) the revision of the article of association of the Target Company with respect to the Proposed Capital Injection, the injection amount of RMB600,000,000 shall be settled by the Company within six months.

### **Exclusivity**

The Company, the Target Company and the Target Company Shareholders have agreed upon an exclusivity period from the date of the Capital Injection Agreement up to the date of the Capital Injection Completion (“**Exclusivity Period**”), during which the Target Company and the Target Company Shareholders shall not sell, transfer, accept capital injection to the Target Company or otherwise deal with any direct or indirect interest or investment of the Target Group on their own or through their agents or associates subject to certain exceptions.

### **Earnest Money**

Within 30 business days after entering into the Capital Injection Agreement, the Company shall pay refundable Earnest Money of RMB150,000,000 to the Target Company. The final amount payable in the Proposed Capital Injection will be netted off by the Earnest Money.

### **Profit guarantee**

The Target Company and the Target Company Shareholders have provided a joint and irrevocable guarantee to the Company for the Target Group’s performance that the 2016 Actual Profit will be no less than RMB550,000,000. In the case of the 2016 Actual Profit being less than the Guaranteed Profit, the amount of the injection capital of RMB600,000,000 payable will be deducted by the compensation amount which is equal to:

$(\text{Guaranteed Profit} - 2016 \text{ Actual Profit}) / \text{Guaranteed Profit} \times \text{Assessed Valuation} \times (\text{percentage of equity interest of the Company in the Target Company}).$

## Conditions precedent

The transactions contemplated under the Capital Injection Agreement are conditional upon the satisfaction of the following conditions precedent:

- (a) the parties under the Capital Injection Agreement having obtained the necessary consents and approvals from the relevant authorities (including but not limited to the Stock Exchange) and their respective shareholders (if required) for the Capital Injection Agreement and the transactions contemplated thereunder;
- (b) the Company having completed its due diligence investigation on the financial, legal, business and all other aspects of the Target Group and is satisfied with the results of its diligence review;
- (c) the completion of the valuation report of the Target Company and the Company being satisfied with the valuation results;
- (d) the registered capital of the Target Company being fully paid and there being no illegal transfer of the fully paid capital out of the Target Company;
- (e) there being no change in the principal business activities of the Target Group;
- (f) there being no enactment, declaration, issue or enforcement of any law, judgment, decree or prohibition order by any government authority before Capital Injection Completion which may result in (a) limitation or prohibition of the signing or completion of the Capital Injection Agreement; or (b) adverse influence in any material aspect on the Company's rights or powers to exercise in accordance with its equity interest in the Target Company or under the provisions of Capital Injection Agreement;
- (g) there being no material change of financial, legal, business and all other aspects and conditions in the Target Group;
- (h) there being no outstanding or potential litigation, arbitration or other legal process from any third party (including any government authority) that prohibits or restricts the completion of the transactions contemplated under the Capital Injection Agreement;
- (i) the provision of the certified copy of the authorization granted by the shareholder's resolution of the Target Company to the Company; and
- (j) guarantees made by the Target Company and the Target Company Shareholders in the Capital Injection Agreement remaining true, complete and not misleading until Capital Injection Completion and having the same effect as if being reaffirmed throughout the period between the date of entering into the Capital Injection Agreement and Capital Injection Completion.

If any of the Conditions Precedent are not fulfilled or waived by the Company (save for condition (a)) on or before the Long Stop Date or such later date as the Company may agree in writing, the Capital Injection Agreement shall terminate and be of no further effect.

## **COMPLETION**

Capital Injection Completion shall take place when all Conditions Precedent have been fulfilled or upon (i) the Company having fully paid the total consideration of RMB600,000,000 to the Target Company; (ii) the Target Company having completed the relevant registration procedures in respect of the Proposed Capital Injection with the local administration bureau of industry and commerce; and (iii) the Target Company having revised its article of association with respect to the Proposed Capital Injection, (whichever is later).

## **TERMINATION**

If either party has materially breached or failed to perform its obligations under the Capital Injection Agreement, the observant party shall have the right to notify the defaulting party of such breach or default in writing. In the event that (1) such breach or default can be remedied and the observant party is not satisfied with the remedial results within 30 business days after such notice has been given to the defaulting party; or (2) such breach or default cannot be remedied, the observant party shall have the right to terminate the Capital Injection Agreement by giving written notice to the defaulting party.

In the event that the Capital Injection Agreement is terminated, all rights and obligations of the parties shall cease immediately, the Target Company and the Target Company Shareholders shall return the full amount of Earnest Money paid by the Group and/or the amount of capital injected (without any interest) within 30 business days upon termination of the Capital Injection Agreement, if the Target Company and the Target Company Shareholders fail to repay such amount as scheduled, they shall pay a daily interest of 0.01% of the outstanding amount. If the registration procedures in respect of the Proposed Capital Injection are completed, the Target Company and the Target Company Shareholders shall return the amount of capital injected to the Group, and perform the corresponding procedures of capital reduction with the local administration bureau of industry and commerce.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated on 21 August 2007 in PRC and is principally engaged in research and development, design, production and sales of computer software and hardware, communication products, metal, semi-conductor and provision of network information service. Its major businesses include high-frequency satellite communication systems, military communication and provision of related supporting services.

The Target Company is specialised in developing ground receivers which are compatible with both Ka-band and Ku-band signal from satellites. Further, the Target Company is now proactively engaged in satellite operation service business to develop a more comprehensive satellite business chain.

Moreover, the Target Company has been devoting resources in the research of Terahertz. The Target Company expects to develop Terahertz products in respect of (i) microchips, (ii) security inspection equipment; (iii) spectrum analyser and (iv) wireless communication.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the financial information of the Target Company for the two years ended 31 December 2014 and 2015 and nine months ended 30 September 2016.

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>nine months</b>
	<b>2014</b>	<b>2015</b>	<b>ended</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>30 September</b>
	<i>(audited)</i>	<i>(audited)</i>	<b>2016</b>
			<i>RMB'000</i>
			<i>(unaudited)</i>
Revenue	5,091,953	6,846,213	3,121,103
Profit before taxation	719,053	852,953	1,119,187
Profit after taxation	649,242	473,101	1,022,336
	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>30 September</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>RMB'000</i>
			<i>(unaudited)</i>
Total assets	10,882,657	13,207,511	13,967,014
Net assets	2,170,102	2,859,463	4,480,004

## **REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CAPITAL INJECTION AGREEMENT**

The Group is principally engaged in the provision of telecommunication system and related products, network system integration and mobile software solutions.

As disclosed in the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”), the Board is of the view that the network communication market will remain robust with continuous growth in the following years. The Group will accordingly keep increasing its investments in the network communication business of the Group while monitoring its business scale and portfolio closely and putting more resources into the business with stronger profitability and better prospects to ensure sustainable development of the Group and bring long-term contributions to the shareholders of the Company.

Having considered (i) the technology advantages of the Target Company on the Ka-band and Ku-band of the satellite facilities; (ii) the future business plans of the Target Company on expanding into satellite operation business; (iii) the steady increase in the global revenue of satellite operation by approximately 3% from year 2014 to 2015 according to a report published by the Satellite Industry Association, the Directors are optimistic on the prospect of the satellite communication business of the Target Company. In addition, the Directors are also of the view that the technology know-how of the Target Company in developing ground receivers which are compatible with both Ka-band and Ku-band signal from satellites may become the mainstream satellite signal transmission channel in the near future, which may allow the Target Company to secure a larger global market share in the satellite communication business in the foreseeable future and thereby generating considerable return on the investment made by the Group through the Proposed Capital Injection.

The Directors consider that entering into the Capital Injection Agreement would (i) allow the Group to diversify its business segment and provide opportunities to the Group to expand its business scope and broaden its source of income; and (ii) provide an opportunity for the Group to jointly develop the satellite communication market with the Target Company through the sales of high-frequency satellite communication products.

In view of the above, the Board is of the view that the terms of the Capital Injection Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.



## **LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Proposed Capital Injection exceed 25% but are all less than 100%, the entering into of the Capital Injection Agreement constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A Circular containing, among other things, (i) further details of the Capital Injection Agreement; (ii) the accountants' report of the Target Company; (iii) unaudited pro forma financial information of the Group upon Capital Injection Completion; and (iv) a notice of the EGM, is expected to be despatched to Shareholders on or before 10 March 2017, as additional time is required for the preparation of the information to be contained therein.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“2016 Actual Profit”	the profit after tax generated from operating activities of the Target Company (excluding non-recurring income, non-recurring expenses and gain/loss on change in fair value) for the year ended 31 December 2016;
“Board”	board of Directors;
“Capital Injection Agreement”	a capital injection agreement dated 17 February 2017 entered into among the Company, the Target Company, and the Target Company Shareholders relating to the injection of capital into the Target Company;
“Capital Injection Completion”	completion of procedures of the injection of registered capital into the Target Company pursuant to the Capital Injection Agreement;
“Changcheng Xinsheng”	Changcheng Xinsheng Trust Limited* (長城新盛信託有限責任公司), holding approximately 3.92% equity interest in the Target Company prior to Capital Injection Completion;
“Company”	InvesTech Holdings Limited, a company incorporated in Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange;

“Conditions Precedent”	the conditions precedent to the completion of the Proposed Capital Injection
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Shareholders to be convened by the Company for the purpose of considering, and if thought fit approving the Capital Injection Agreement and the transactions contemplated thereunder
“Earnest Money”	a refundable earnest money of RMB150,000,000 paid by the Company within 30 business days after entering into the Capital Injection Agreement;
“Group”	the Company and its subsidiaries;
“Guaranteed Profit”	The Target Company and the Target Company Shareholders have provided guarantee to the Company for the Target Company’s performance that the 2016 Actual Profit will be no less than RMB550,000,000;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2017 or such later date as the Company and the Target Company may agree in writing;
“Mr. Feng”	Mr. Feng Junzheng (馮軍正先生), a citizen of the PRC, holding approximately 2.82% equity interest in the Target Company prior to Capital Injection Completion;

“Mr. Huang”	Mr. Huang Yongjiang (黃永江先生), a citizen of the PRC, holding approximately 18.82% equity interest in the Target Company prior to Capital Injection Completion;
“Mr. Wu”	Mr. Wu Guangsheng (吳光勝先生), a citizen of the PRC, who is the largest shareholder of the Target Company holding approximately 39.98% equity interest in the Target Company prior to Capital Injection Completion;
“Mr. Xiang”	Mr. Xiang Junhui (項俊暉先生), a citizen of the PRC, holding approximately 7.53% equity interest in the Target Company prior to Capital Injection Completion;
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Proposed Capital Injection”	the proposed capital injection of RMB600,000,000 from the Company into the Target Company under the Capital Injection Agreement such that the Company shall have an equity interest in the Target Company upon Capital Injection Completion;
“Rongjie Investment”	Rongjie Investment Holding Group Limited* (融捷投資控股集團有限公司), holding approximately 15.05% equity interest in the Target Company prior to Capital Injection Completion;
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Fangdixin”	Shenzhen Fangdixin Fund Limited* (深圳方德信基金有限公司), holding approximately 2.00% equity interest in the Target Company prior to Capital Injection Completion;

“Shenzhen Yindingdong”	Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司), holding approximately 9.88% equity interest in the Target Company prior to Capital Injection Completion;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Satellite Industry Association”	a U.S.-based trade association providing worldwide representation of the leading satellite operators, service providers, manufacturers, launch services providers, and ground equipment suppliers;
“Target Company”	China Communication Technology Co., Ltd.* (華訊方舟科技有限公司), a company established in the PRC with limited liability, the holding company of Huaxun Fangzhou Co., Ltd* (華訊方舟股份有限公司), the shares of which are listed in the Shenzhen Stock Exchange (Stock Code: 000687.SZ);
“Target Company Shareholders”	Mr. Wu, Mr. Huang, Mr. Xiang, Mr. Feng and Shenzhen Yindingdong, collectively, holding approximately 79.08% equity interest in the Target Company prior to Capital Injection Completion;
“Target Group”	the Target Company and its subsidiaries
“Terahertz”	the Terahertz, a unit of electromagnetic wave frequency equal to one trillion hertz ( $10^{12}$ Hz);
“%”	per cent.

By order of the Board  
**InvesTech Holdings Limited**  
**Chan Sek Keung, Ringo**  
*Chairman and Chief Executive Officer*

Hong Kong, 17 February 2017

*As at the date of this announcement, the executive Directors are Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Mr. Lu Chengye, Ms. Wang Fang, and Mr. Wu Chi Luen, the non-executive Director is Mr. Wong Kui Shing, Danny and the independent non-executive Directors are Mr. Qu Wen Zhou, Mr. Lu, Brian Yong Chen and Mr. Huang Lianguai.*

*\* For identification purposes only*