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FORTUNET E-COMMERCE GROUP LIMITED

鑫網易商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE GRANT OF LOAN FACILITY

FACILITY AGREEMENT

On 21 June 2018 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Facility Agreement, pursuant to which the Company conditionally agreed to grant the Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Pointsea Holdings holds 50% of the issued share capital of PCL, and Treasure Ease holds 80% of the issued share capital of Pointsea Holdings. Treasure Ease is owned as to 50.1% by the Company, 30% by Fin-Tech and 19.9% by Chance Talent. CIH, being a substantial shareholder of the Company, holds the entire issued share capital of Fin-Tech. PCL is therefore a connected person of the Company under Rule 14A.16 of the Listing Rules and the grant of the Loan Facility constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, Independent Shareholders' approval, circular and annual reporting requirements under the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) is more than 5% but less than 25%, the grant of the Loan Facility constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under the Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established to advise and give recommendations to the Independent Shareholders in relation to the Facility Agreement and the transactions contemplated thereunder. Amasse Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Facility Agreement and the transactions contemplated thereunder. CIH and its associates will abstain from voting at the EGM.

A circular containing, among other things, (a) further information on the Facility Agreement and the transactions contemplated thereunder; (b) a letter from the Independent Board Committee to the Independent Shareholders containing the recommendations in relation to the Facility Agreement and the transactions contemplated thereunder; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Facility Agreement and the transactions contemplated thereunder; and (d) a notice convening the EGM and other information required under the Listing Rules will be despatched to the Shareholders on or before 31 July 2018.

FACILITY AGREEMENT

On 21 June 2018 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Facility Agreement, pursuant to which the Company conditionally agreed to grant the Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly-owned subsidiary of the Company.

The major terms of the Facility Agreement are set out below:

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| Date | : | 21 June 2018 (after trading hours) |
| Parties | : | (i) the Company, as lender; and (ii) PCL, as borrower |
| Loan Facility amount | : | up to HK\$100 million |
| Loan Facility purpose | : | for developing the digital point business of PCL's group of companies and for capital expenditure and general working capital of PCL's group of companies |

- Period of the Loan Facility : the 12-month period from and including the date on which the Company is satisfied that all the conditions precedent of the Facility Agreement have been fulfilled or specifically waived in writing by the Company
- Drawdown : During the period of the Loan Facility, PCL may draw the Loan, in a single amount or in multiple amounts, from time to time on a Business Day after all conditions precedent of the Facility Agreement are satisfied, provided that PCL gives the Company at least two Business Days' prior written notice (or a shorter notice as the Company may agree) prior to the date on which PCL wants to draw the Loan available for advancement thereunder.
- The amount of each drawdown shall be a minimum of HK\$1 million and in integral multiples of HK\$1 million or the remaining balance of the Loan Facility available for drawing.
- Conditions precedent : The drawing of the Loan is conditional upon (i) the Independent Shareholders having approved the Facility Agreement and the transactions contemplated thereunder at the EGM; and (ii) the Company having received all the documents and evidence required in the Facility Agreement.
- If these conditions have not been fulfilled on or before the Long Stop Date, then the Facility Agreement shall automatically terminate (other than in respect of the surviving provisions). In such event, neither party shall have any claim under the Facility Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under any of the surviving provisions.
- Security : None
- Interest : (i) PCL shall pay interest on the outstanding balance of the Loan at the rate of 6.5% per annum (on the basis of a 365-day year); and (ii) interest shall accrue daily, calculated on the basis of the actual number of days elapsed and shall be payable on the Maturity Date
- Maturity Date : the first anniversary date of the Drawdown Date or such later date as may be agreed between PCL and the Company in writing, being the date for the repayment of the Loan in full

Voluntary repayment : PCL may, at any time after the Loan has been advanced and prior to the Maturity Date, repay the Loan in whole or in part on a full month basis (and/or the interest accrued thereon), without any penalty

Reborrowing : PCL shall not reborrow any part of the Loan Facility which has been repaid

INFORMATION ON PCL

PCL is an investment holding company incorporated in the Cayman Islands with limited liability. It is engaged in the operations of the “Changyou” Digital Point Business Ecosystem Alliance (the “Changyou Alliance”), a digital membership point alliance which aims to integrate the digital membership points, resources and strategic advantages of business partners to be used under the “Changyou” trading platform. Users can interchange and redeem digital membership points for merchandise, games and entertainment, financial services and other commercial transactions.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is engaged in e-commerce business through cross-border electronic distribution platforms and mobile applications sourcing, importing and channeling authentic goods from suppliers abroad and then distributing and reselling such goods to domestic retailers in the PRC, and other general trading business. However, due to the low profit margin generated from this business segment and given the increasing competition in the e-commerce sector, the Group has decided to seek other business opportunities and different business models with potential growth. The Group has begun to scale down the e-commerce business segment since the first quarter of 2017, and it is expected that this business segment will cease operations by 30 June 2018.

The Group has since developed an electronic trading platform, “Changyou”, which aims to integrate the digital membership points, resources and strategic advantages of business partners in the Changyou Alliance. The “Changyou” platform was launched in September 2017. The digital membership points from various partnership entities and industries are interchangeable and redeemable globally as virtual assets and credit on the “Changyou” platform and can be purchased, earned and used by customers for the purchase and consumption of merchandise, games and entertainment, financial services and other commercial transactions.

REASONS FOR AND BENEFITS OF THE LOAN FACILITY

The Changyou Alliance business is a capital intensive sector, as a large amount of capital is required (i) to attract and retain talented and experienced personnel and management team for the development of the “Changyou” platform; (ii) for promotional and marketing activities to attract and maintain customer loyalty and their participation and consumption of the products and services provided on the “Changyou” platform; and (iii) to develop its technology infrastructure and feature new financial technologies such as blockchain into the “Changyou” platform to enable effective extraction and development of big data

samples, creating a precise and extensive database of consumer transactions and consumption behaviour in the future. As such, it is important to maintain a sufficient level of liquidity and financial flexibility in order to maintain the current level of performance and user network of the “Changyou” platform.

PCL is exploring certain financing opportunities in order to meet its financing needs. However, before it is able to secure any financing from other options at reasonable terms and in a timely manner, the Directors and PCL consider the Loan Facility to be a flexible, viable and preferred option. Given that the term of the Loan Facility is of one year only, the Directors consider the grant of the Loan Facility to PCL to be efficient, beneficial and in the interest of PCL and its shareholders as a whole, having considered the time and costs that may be incurred by PCL for other means of fund raising. PCL intends to separately engage in alternative fundraising activities for the development of the “Changyou” business of the Group in the long term.

In view of the above, the Directors (excluding the members of the Independent Board Committee, who shall form their view in the circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Facility Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

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A circular containing, among other things, (a) further information on the Facility Agreement and the transactions contemplated thereunder; (b) a letter from the Independent Board Committee to the Independent Shareholders containing the recommendations in relation to the Facility Agreement and the transactions contemplated thereunder; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Facility Agreement and the transactions contemplated thereunder; and (d) a notice convening the EGM and other information required under the Listing Rules will be despatched to the Shareholders on or before 31 July 2018.

DEFINITIONS

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

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| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Chance Talent” | Chance Talent Management Limited, a business company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned special purpose vehicle of CCB International (Holding) Limited |
| “CIH” | Century Investment (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability, and a substantial shareholder of the Company |
| “Company” | Fortunet e-Commerce Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Drawdown Date” | the date of the first drawdown of the Loan by PCL |
| “EGM” | an extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Facility Agreement and the transactions contemplated thereunder |

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| “Facility Agreement” | the facility agreement dated 21 June 2018 and entered into between the Company (as lender) and PCL (as borrower) in relation to the Loan Facility |
| “Fin-Tech” | Fin-Tech Company Limited, a company incorporated in the Cayman Islands with limited liability, and a wholly-owned subsidiary of CIH |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People's Republic of China |
| “Independent Board Committee” | the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Liu Jialin and Mr. Chan Chi Keung Alan, established to advise the Independent Shareholders as to the Facility Agreement and the transactions contemplated thereunder |
| “Independent Financial Adviser” or “Amasse Capital Limited” | Amasse Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders |
| “Independent Shareholders” | Shareholders other than CIH and its associates |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | the principal amount advanced to PCL pursuant to the Loan Facility from time to time pursuant to the Facility Agreement |
| “Loan Facility” | an unsecured term loan facility of a total principal amount not exceeding HK\$100 million on the terms, and subject to the conditions, set out in the Facility Agreement, the details of which are set out in the paragraph headed “Facility Agreement” in this announcement |
| “Long Stop Date” | 30 September 2018 or such other date as may be agreed between the Company and PCL |
| “Maturity Date” | the first anniversary date of the Drawdown Date, or such later date as may be agreed between PCL and the Company in writing, being the date for the repayment of the Loan in full |

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| “PCL” | Pointsea Company Limited, a company incorporated in the Cayman Islands with limited liability, and an indirect non-wholly-owned subsidiary of the Company |
| “Pointsea Holdings” | Pointsea Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect non-wholly-owned subsidiary of the Company |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| “Share(s)” | the ordinary share(s) of par value US\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Treasure Ease” | Treasure Ease Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct non-wholly-owned subsidiary of the Company |
| “%” | per cent. |

By order of the Board
Fortunet e-Commerce Group Limited
Mr. Cheng Jerome
Chairman

Hong Kong, 21 June 2018

As at the date of this announcement, the executive Directors are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Director is Mrs. Guo Yan; and the independent non-executive Directors are Mr. Wong Chi Keung, Mr. Liu Jialin and Mr. Chan Chi Keung Alan.