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CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

**(1) DISCLOSABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE
CAPITAL OF THE TARGET COMPANY BY ISSUING CONSIDERATION
SHARES UNDER SPECIFIC MANDATE; AND
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO THE ENTRY OF THE VIE AGREEMENTS**

THE ACQUISITION

The Board is pleased to announce that, for the purpose of acquiring the Target Group, on 14 December 2020 (after trading hours), the Company, the Vendor and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company for the Consideration, which shall be satisfied by way of allotment and issue of the Consideration Shares to the Vendor (or its nominee) under the Specific Mandate credited as fully paid. Upon Completion, the Company will hold the entire issued share capital of the Target Company.

As at the date of this announcement, the Target Company is an investment holding company which indirectly holds the entire issued share capital of the WFOE and through the VIE Agreements, has effective control over the financing and operations of the OPCO, and enjoy the economic interest and benefits of the OPCO. The Company has discussed with the auditors of the Company which have confirmed that under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the OPCO in its consolidated accounts as if it were a subsidiary of the Company.

For more information of the VIE Agreements, please refer to the section headed “INFORMATION OF THE VIE AGREEMENTS” in this announcement. For more information of the Target Group and the OPCO, please refer to the section headed “INFORMATION OF THE TARGET GROUP AND THE OPCO” in this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Disclosable Transaction

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all of them are below 25%, the Acquisition constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement but is exempted from Shareholders’ approval requirements.

Connected transaction and continuing connected transactions

As at the date of this announcement, Mr. Tong, being the executive Director, is the ultimate beneficial owner of the Vendor and the OPCO. Accordingly, each of the Vendor and the OPCO is an associate of Mr. Tong, and therefore a connected person of the Company. As such, the transactions contemplated under the Sale and Purchase Agreement and VIE Agreements constitute connected transaction and continuing connected transactions of the Company, respectively, under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of both of the transactions contemplated under Sale and Purchase Agreement and the VIE Agreements exceeds 5%, the transactions contemplated under the Sale and Purchase Agreement and the VIE Agreements are subject to the reporting, announcement and Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The Company will apply for a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the OPCO to the WFOE under the Exclusive Consultation and Technical Services Agreement.

GENERAL

Mr. Tong had abstained from voting at the Board meeting in respect of the resolutions approving the Acquisition and the VIE Agreements. To the best of the Directors' knowledge, information and belief, save for Mr. Tong, no other Director had a material interest in the transactions contemplated under the Sale and Purchase Agreement and the VIE Agreements and thus was required to abstain from voting at the Board meeting for considering and approving the same.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the VIE Agreement. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the VIE Agreements. In accordance with Rule 14A.52 of the Listing Rules, the Independent Financial Adviser will also explain why the duration of the VIE Agreements, which exceeds three years, constitutes a special circumstance under Rule 14A.52 of the Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration.

The Company will convene the EGM for the Independent Shareholders to, among other things, consider and, if thought fit, approve (i) the Acquisition and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition, thus no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Acquisition, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 5 January 2021.

Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 28 October 2020 in relation to the entering into a Memorandum of Understanding on the possible acquisition of the controlling interest in the OPCO by the Company through VIE.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

14 December 2020 (after trading hours)

Parties

- (i) the Company (as Purchaser);
- (ii) Famous Brightness Limited (as Vendor); and
- (iii) Mr. Tong Xin (as Guarantor).

As at the date of this announcement, Mr. Tong, an executive Director, is the ultimate beneficial owner of the Vendor. Accordingly, the Vendor is an associate of Mr. Tong, and therefore a connected person of the Company.

Subject matters of the Acquisition

The Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company.

Consideration

The Consideration comprises of Consideration I and Consideration II, which shall be satisfied by issuing Consideration Shares I and Consideration Shares II (subject to the conditions stated below), to the Vendor (or its nominee), respectively, in the following manner:

Consideration I

In the event that the Target Group records Actual Net Profit for the financial year ending 31 December 2021 (“**2021 Actual Net Profit**”), Consideration I shall be satisfied by issuing the Consideration Shares I calculated in the following manner (to be rounded down to the nearest number):

(A) Consideration I = 2021 Actual Net Profit x 5 times

(B) Consideration Shares I = Consideration I/Issue Price

, provided that if the amount of 2021 Actual Net Profit exceeds HK\$80,000,000, it will be deemed as HK\$80,000,000 for the purpose of the above calculation and the exchange rate of Renminbi to Hong Kong dollar shall be the central parity rate announced by the People’s Bank of China on the last day of the financial year of 2021.

Consideration II

In the event that the Target Group records Actual Net Profit for the financial year ending 31 December 2022 (“**2022 Actual Net Profit**”), Consideration II shall be satisfied by issuing the Consideration Shares II calculated in the following manner (to be rounded down to the nearest number):

(A) Consideration II = 2022 Actual Net Profit x 5 times

(B) Consideration Shares II = Consideration II/Issue Price

, provided that if the amount of 2022 Actual Net Profit exceeds HK\$150,000,000, it will be deemed as HK\$150,000,000 for the purpose of the above calculation and the exchange rate of Renminbi to Hong Kong dollar shall be the central parity rate announced by the People’s Bank of China on the last day of the financial year of 2022.

The Actual Net Profit shall be the consolidated net profit after taxation of the Target Group attributable to equity owners of the Target Group excluding any non-recurring income. The Actual Net Profit shall be audited or confirmed in writing in accordance with the International Financial Reporting Standard by an accounting firm appointed by the Company and such audited report shall not include any qualified opinion.

The Consideration Shares shall be issued at the Issue Price of HK\$2.65 per Consideration Share to the Vendor (or its nominee).

For the avoidance of doubt, if the Target Group fails to record any Actual Net Profit or records consolidated net loss after taxation in the financial year of 2021 or 2022, no relevant Consideration Shares I or Consideration Shares II shall be issued to the Vendor (or its nominee) for the relevant financial year.

The Vendor (or its nominee) shall complete all necessary filing and registration procedures concerning the transactions contemplated under the Sale and Purchase Agreement with the relevant PRC authorities.

Notwithstanding the above, the maximum number of Consideration Shares to be issued to the Vendor (or its nominee) under the Sale and Purchase Agreement shall be 433,962,263 Consideration Shares and in any event shall not exceed 25% of the total number of issued Shares as at the date of the Sale and Purchase Agreement (whichever is lower).

Further, immediately after the issue of the Consideration Shares, the Vendor undertakes that total number of Shares held by the Vendor or its nominee and their respective associates (as defined in the Listing Rules) shall not exceed 30%.

In the event that the public float will be lower than 25% of the issued share capital of the Company immediately upon completion of the issue of any Consideration Shares, the issue of such Consideration Shares will be withheld and adjourned until the public float would be restored.

Subject to Listing Rules, the Company shall, in accordance with the conditions stated above, within four (4) months after the issuance of the audited report of the relevant financial year (i.e. 2021 or 2022), issue the Consideration Shares to the Vendor (or its nominee) (if needed).

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing Shares in issue.

Issue Price

The Issue Price is HK\$2.65 per Consideration Share, which represents:

- (i) a discount of approximately 19.70% to the closing price of HK\$3.30 per Share as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 19.94% to the closing price of HK\$3.31 per Share as quoted on the Stock Exchange as at the last trading day for the Shares on the Stock Exchange prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 18.81% to the average closing price of approximately HK\$3.26 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm's length negotiation between the Company and the Vendor with reference to, among others, the prevailing market prices of the Shares immediately before the date of entering into the Sale and Purchase Agreement. The Directors, excluding (i) Mr. Tong, who abstained from voting on the resolutions in relation to Sale and Purchase Agreement proposed to the Board, and (ii) the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser, consider that the Issue Price is fair and reasonable.

The maximum number of the Consideration Shares, being 433,962,263 Shares, represents approximately 22.56% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 18.41% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to the completion of the issue of the maximum number of the Consideration Shares).

Basis for determination of the consideration

The Consideration was determined based on arm's length negotiations between the Company and the Vendor, with reference to, among other things, (i) the pricing multiples of some comparable companies which were listed on Stock Exchange and engaged in similar

business as the Target Group; (ii) the business development and future prospects of the Target Group; and (iii) the reasons for and benefits of the Acquisition as stated under the section headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” below.

In addition, despite the future prospects of the Target Group, the track record period of the Target Group is relatively short. Accordingly, the Company considers it more appropriate to determine exact amount of the Consideration and issue the Consideration Shares by stages with reference to the profit to be realised in the financial years of 2021 and 2022. In particular, to safeguard the interests of the Group, a mechanism has been built in such that the Company is not required to pay any Consideration if the Target Group fails to record any profit in the financial year of 2021 or 2022. For details, please refer to the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Consideration” above.

The Directors, excluding (i) Mr. Tong, who abstained from voting on the resolutions in relation to Sale and Purchase Agreement proposed to the Board, and (ii) the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser, consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon:

- (A) all necessary internal authorisations and approvals for or in connection with the Acquisition having been obtained by the Company and the Vendor, including the passing by the Shareholders at the EGM of a resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of Consideration Shares under the Specific Mandate as Consideration;
- (B) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Stock Exchange granting the waiver or no objection in relation to the transactions contemplated under the Sale and Purchase Agreement;
- (C) save for the VIE Agreements, there having been no lien or other encumbrances attached to the interests in the Target Company, Golden Maxwell, the WFOE and the OPCO, and there having been no dispute or potential dispute in any form concerning the ownership of such interests;
- (D) the VIE Agreements enabling the financial results, the economic benefits and the risks of the business of the OPCO to flow into the WFOE and enabling the WFOE to gain 100% controlling right of the OPCO having been duly executed and remaining valid and subsisting;

- (E) the equity interest of the OPCO held by Mr. Tong having been true and complete shareholding of the OPCO, and there having been no holding of equity interest on trust or any lien or other encumbrances attached to the interests being held by Mr. Tong, and there having been no dispute or potential dispute in any form between the Mr. Tong and the OPCO or any third party, concerning the ownership of such interests;
- (F) selected senior management and core staff of the OPCO having entered into an employment declaration and undertaking in the form as agreed by the Company;
- (G) the Company being satisfied with the results of the due diligence review of the Target Group on commerce, trade, legal, finance, taxation, asset and other conditions (regardless of legal, accounting, financial, operational, property or other aspects that the Company may consider necessary) deemed necessary by the Company's agent or professional party appointed by the Company;
- (H) there having been no change that would have a material and adverse effect on the assets, business or prospects of the Target Group, and the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects and not misleading in any respects as at the Completion Date and throughout the period from 30 November 2020 to the Completion Date;
- (I) there having been no change to the share capital or the registered capital of the OPCO, the WFOE, the Target Company, and Golden Maxwell throughout the period from 30 November 2020 to the Completion Date;
- (J) none of the Vendor nor the Guarantor having any dispute with any third party which may prevent the completion of the transactions contemplated under the Sale and Purchase Agreement;
- (K) no governmental authority having promulgated, issued or implemented any validly subsisting laws, regulations, administrative orders, decrees, judgments, interlocutory or permanent injunctions or other orders, that may prohibit or otherwise prevent the completion of the transactions contemplated under the Sale and Purchase Agreement; and
- (L) there having been no breach by any party to the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement to the Completion Date.

If any of the above conditions precedent is not satisfied or otherwise waived (except condition (A) (B), (C) and (D) set out above) on or before the Long Stop Date or such later date as the Company and the Vendor may agree in writing, the Sale and Purchase Agreement shall be terminated.

Guarantee

The Guarantor, in consideration of the Company entering into the Sale and Purchase Agreement, unconditionally and irrevocably guarantees the full performance of all obligations of the Vendor under the Sale and Purchase Agreement. The Company has the right to oblige the Guarantor to fulfil his obligations as guarantor without initiating any legal

action against the Vendor. In any event that the Vendor fails to fulfill any of its obligations under the Sale and Purchase Agreement by whatsoever reason, the Company has the right to oblige the Guarantor to fulfill his obligation as guarantor.

Completion

Subject to the fulfilment (and/or waiver as the case maybe) of all the conditions precedent mentioned above, Completion shall take place on the Completion Date.

INFORMATION OF THE GROUP AND THE COMPANY

The Group is principally engaged in the design, sourcing, manufacturing and sales of its branded menswear in the PRC. The Company is incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange. The principal activity of the Company is investment holding.

INFORMATION OF THE VENDOR

Famous Brightness is a company established under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, Famous Brightness is indirectly wholly-owned by Mr. Tong.

INFORMATION OF THE TARGET GROUP AND THE OPCO

The Target Company is a company incorporated under the laws of BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Target Company is indirectly wholly-owned by Mr. Tong.

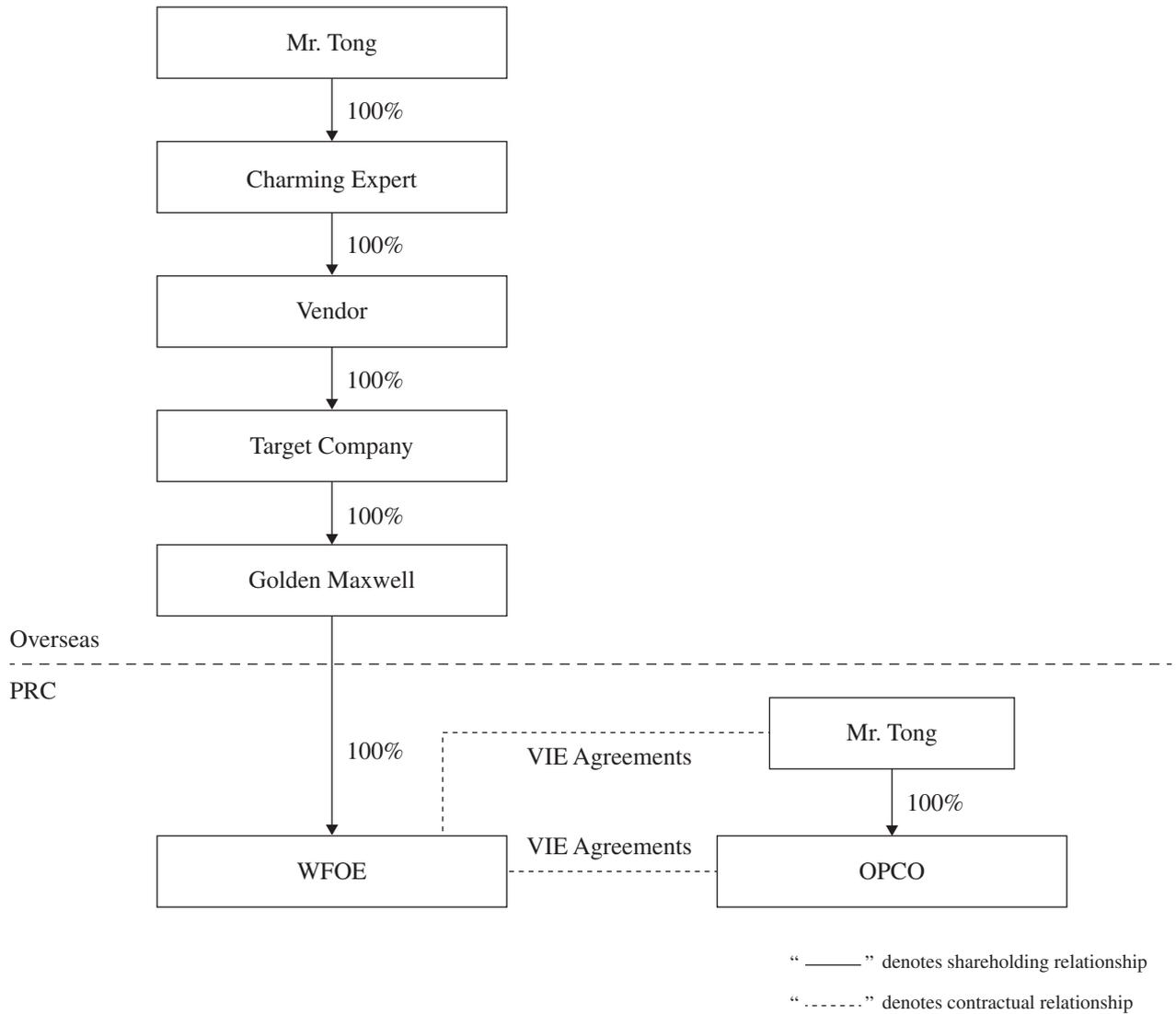
Golden Maxwell is a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in investment holding. As at the date of this announcement, Golden Maxwell is directly wholly-owned by the Target Company.

The WFOE is a company established under the laws of the PRC with limited liability which will enjoy the economic interests and benefits of the OPCO through the VIE Agreements. It is directly wholly-owned by Golden Maxwell as at the date of this announcement.

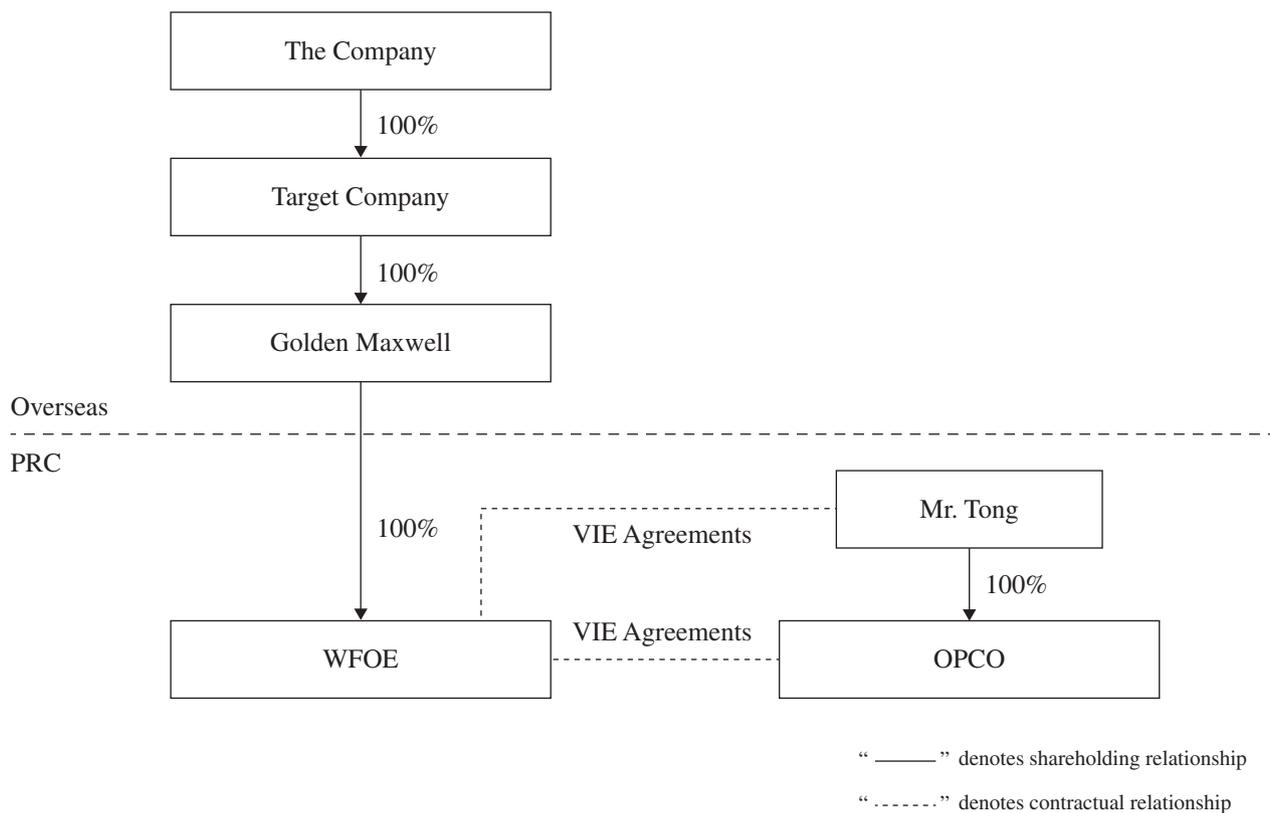
The OPCO is a company established by Mr. Tong's personal resources on 7 May 2020 under the laws of the PRC with limited liability and principally engaged in the business of sales and marketing of automobiles through an online e-commerce platform combined with ancillary financing, auto parts sales, offline auto trading services and other business in the PRC. The OPCO is directly wholly-owned by Mr. Tong as at the date of this announcement.

Shareholding structure of the Target Group

(1) Shareholding structure of the Target Group before Completion



(2) Shareholding structure of the Target Group after Completion



FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of the Target Group for the seven months ended 30 November 2020:

	For the seven months ended 30 November 2020 (RMB'000)
Revenue	19,326
Net profit before taxation	15,655
Net profit after taxation	11,741

The consolidated net asset value of the Target Group as at 30 November 2020 was approximately RMB12.07 million.

The OPCO was incorporated in May 2020, and hence it only recorded financial information of seven months from May 2020 to November 2020 as at the date of this announcement.

Upon Completion, the Company will hold the entire issued share capital of the Target Company which indirectly holds the entire issued share capital of the WFOE and through the VIE Agreements, has effective control over the financing and operations of the OPCO, and enjoy the economic interest and benefits of the OPCO.

Pursuant to the VIE Agreements, the WFOE is able to control the finance and operation of the OPCO so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership. The Company has discussed with the auditors of the Company which have confirmed that under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the OPCO in its consolidated accounts as if it were a subsidiary of the Target Company.

BUSINESS MODEL OF THE TARGET GROUP

Honggao Technology has developed an online e-commerce platform known as “Changyou Car* (暢遊汽車)” (hereinafter referred to as “**Changyou Car**”), which materializes car sales by integrating mobile apps with offline trading service centres of distributors across the nation. The development and application of this platform benefitted from the “Measures for the Administration of Automobile Sales”* (《汽車銷售管理辦法》) promulgated by the Ministry of Commerce of the People’s Republic of China in 2017, whereby the PRC allows car sales to be conducted across a wider spectrum in terms of brands and geography, providing car dealers with enormous business opportunities. According to the statistics of the China Association of Automobile Manufacturers, the annual sales volume of vehicles for 2019 in the PRC amounted to 25.77 million, signifying a huge consumer-oriented automobile market in China.

Changyou Car comprises two mobile apps, one of which is for B2B wholesale e-commerce business among car dealers in various regions, and the other one is for B2C retail e-commerce business between car dealers and end-users. These mobile apps allow car vendors to disseminate relevant marketing information and car buyers to have a better understanding of the car they are going to buy in terms of brands, performances and prices, thereby facilitating the cross-regional transactions between buyers and sellers across the nation. Upon a sales contract between the vendor and the buyer being concluded and the buyer having paid a deposit to a third-party payment platform, the vendor will deliver the car to the trading service centres of distributors designated by the buyer where the buyer may proceed with inspection and acceptance before paying the outstanding balance and close the deal by completing the related procedures. While Changyou Car provides car vendors with a nationwide sales channel, it also provides buyers with more affordable options, hence attracting car dealers and individual consumers to transact on this platform.

Changyou Car has established a network covering trading service centres of distributors from more than 300 cities which are above prefecture-level for the purpose of providing on-site acceptance of cars, attracting more local car dealers to sign in as a user of this platform, and boosting car sales derived from it.

Changyou Car has formulated a complete set of trading rules covering the dissemination and acquisition of information, facilitation of deals, delivery and settlement, which are effectively implemented by a team of seasoned professionals, to turn this platform into a real e-commerce platform for materializing car sales.

Honggao Technology has been authorized by two large-scale car manufacturers to aggregate bulk-buying demand through this platform and procure bulk-purchase shipments from them at favourable prices, achieving a win-win situation for both consumers who will enjoy affordable prices and car dealers who will materialize sizable sales.

Honggao Technology will engage in negotiations with major e-commerce platforms at home on cooperation for the purpose of boosting sales volume for Changyou Car by providing trading services to these e-commerce platforms in the area of car sales information.

Honggao Technology derives its income mainly from advertising services, ordering services, trading services, sales services and value-add services.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the design, sourcing, manufacturing and sales of its branded menswear in the PRC.

As set out in the announcements of the Company dated 25 September 2020 and 28 October 2020, the Group has been looking for business opportunities in China in respect of online e-commerce platform combined with an offline trading service system, which coordinate with China's major e-commerce platforms and major distributors to carry out automotive sales business. The Acquisition will be a major step taken by the Company to expand and diversify its business and activities to share the results of development of China's huge automotive market, with a view to create new sources of income and to maximize the return to the Company and the Shareholders in the long run.

The Directors, excluding (i) Mr. Tong, who abstained from voting on the resolutions in relation to Sale and Purchase Agreement proposed to the Board, and (ii) the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser, consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after allotment and issue of the maximum number of Consideration Shares:

	As at the date of this announcement		Immediately after allotment and issue of the maximum number of Consideration Shares (Note 4)	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Kwok Kin Sun and his associates (Note 1)	925,000,000	48.09	925,000,000	39.24
Mr. Kwok Hon Fung and his associates (Note 2)	198,825,000	10.34	198,825,000	8.43
Vendor	—	—	433,962,263	18.41
Other Shareholders	799,775,000	41.58	799,775,000	33.92
				(Note 3)
Total	<u>1,923,600,000</u>	<u>100.00</u>	<u>2,357,562,263</u>	<u>100.00</u>

Notes:

- (1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited (“**Everkept**”) by reason of his 70% interest in the share capital of Everkept.
- (2) Mr. Kwok Hon Fung, an executive Director and the son of Mr. Kwok Kin Sun, is deemed to be interested in all the Shares held by Equal Plus Limited (“**Equal Plus**”) by reason of his 100% interest in the share capital of Equal Plus.
- (3) No Consideration Shares will be issued until the public float of 25% is achieved after such issue.
- (4) This calculation is based on the assumption that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement and up to the completion of the issue of the maximum number of the Consideration Shares.
- (5) The discrepancies between total and sums of amounts in the table above are due to rounding.

INFORMATION OF THE VIE AGREEMENTS

The OPCO is principally engaged in the operation of sales and market of automobiles through an online e-commerce platform and holds certain licenses and permits that are essential to the operation of such business, such as Internet Content Provider Licence (“**ICP Licence**”). Under the PRC laws, the OPCO is considered to be engaged in the provision of value-added telecommunications services.

(1) The Exclusive Business Consultation and Technical Services Agreement

- Parties: (a) the OPCO;
- (b) the WFOE; and
- (c) Mr. Tong
- Term: Effective upon execution and shall remain in effect during the term of operation of the OPCO and extendable term in accordance with PRC laws.
- Subject: The OPCO shall engage the WFOE on an exclusive basis to provide the following technical support, consulting services and other services:
- (i) consulting services in relation to the sales, management, market information of the automobile industry;
 - (ii) research and development, operation, software update, upgrade, maintenance and technical consulting services in relation to mobile app;
 - (iii) purchase of hardware equipment and technical consulting services, installation, daily management, maintenance and upgrade of hardware equipment and database;
 - (iv) e-commerce technical consulting services;
 - (v) brand marketing, product promotion strategies, customer maintenance services and manage consulting services;
 - (vi) employee technical trainings and management consulting services; and
 - (vii) other related business support and services permissible under the PRC laws as agreed by the WFOE and the OPCO.

Fee: For the services provided by the WFOE under the Exclusive Consultation and Technical Services Agreement, the OPCO shall pay, to the WFOE, at the end of each financial year, a services fee that is equal to the profits (including accumulated profits from the prior financial years) after compensating the losses recorded in the prior year (if needed) and deducting all necessary costs, expenses or taxes as required under the PRC laws.

(2) The Exclusive Purchase Right Agreement

Parties: (a) the WFOE;
(b) the OPCO; and
(c) Mr. Tong

Term: Effective upon execution and shall remain in effect during the term of operation of the OPCO and extendable term of operation in accordance with the PRC laws

Subject: Mr. Tong irrevocably grant the WFOE an exclusive right, at any time and from time to time, to purchase all or part of their equity interests in the OPCO at RMB1 or the lowest price permissible under the PRC laws and the relevant government authorities.

The OPCO irrevocably grant the WFOE an exclusive right to purchase or nominate any individuals/entities to purchase all or part of its assets at the lowest price permissible under the PRC laws.

Mr. Tong shall be prohibited from selling, transferring, pledging or otherwise disposing of all or part of his equity interests in the OPCO, or granting others a right to purchase such equity interests (except as provided in the Equity Pledge Agreement and Authorisation Agreement), without the prior written consent from the WFOE, and shall procure to the above effect at the shareholders' meetings and the meetings of the board of directors.

The OPCO shall be prohibited from selling, transferring, pledging or otherwise disposing of all or part of its assets, or granting others a right to purchase such assets (except as provided in the Equity Pledge Agreement and Authorisation Agreement), without the prior written consent from the WFOE.

Undertakings and covenants:

Mr. Tong and the OPCO jointly and severally agree and undertake that, without the prior written consent from the WFOE, the OPCO would not (and Mr. Tong would not procure the OPCO to) enter into any transaction that may affect the OPCO's assets, obligations, business or operations, including but not limited to the following:

- (i) Conducting business beyond the usual and normal scope or inconsistent with past practice of the OPCO;
- (ii) Approving merger, consolidation, acquisition or restructuring of the OPCO's main business or assets, or otherwise any kind of acquisition or investment;
- (iii) Providing loan to any third party or incurring any liability from any third party which is not within the usual and normal scope of business of the OPCO;
- (iv) Incurring, inheriting, assuming or providing guarantee for any liability that is not within the OPCO's usual and normal scope of business, and providing any form of guarantee in favour of any third party with its assets or creating any other encumbrance on any of its assets;
- (v) Supplementing or modifying the articles of association of the OPCO, increasing or decreasing the OPCO's registered capital or otherwise changing the OPCO's registered capital structure;
- (vi) Distributing dividends or equity entitlements unless with written request from WFOE. After such distribution, Mr. Tong shall within three business days inform the WFOE of such distribution and transfer all such dividends or equity entitlements to the WFOE at nil consideration;
- (vii) Entering into any material agreements (it is at the WFOE's discretion to determine what constitute "material agreements" and any agreements involving an amount of RMB100, 000 or above will be deemed as material agreements);
- (viii) Selling, transferring, securing or otherwise disposing of the OPCO's business or income;
- (ix) Terminating, dissolving or liquidating the OPCO and distributing its remaining assets; or

- (x) Procuring any OPCO's subsidiary or associated company to enter into any above-mentioned transaction or agreement, or executing other document that may result in the above-mentioned transaction.

In addition, the OPCO agrees and covenants to the WFOE that it shall, among others:

- (i) Unconditionally accept proposals raised by the WFOE, including but not limited to the engagement and replacement of employees, daily operations, dividend distribution and financial management systems of the OPCO and the OPCO shall strictly abide by and perform accordingly;
- (ii) Unconditionally transfer the business licence, company's seal and other important documents of the OPCO to the directors designated by the WFOE;
- (iii) Maintain the OPCO's corporate existence in accordance with good financial and business standards and usual practices by prudently and effectively operating its business and handling its affairs;
- (iv) Conducting the OPCO's business in the ordinary course of business to maintain the asset value of the OPCO and refraining from any act or omission that may adversely affect the OPCO's operation and asset value;
- (v) Permit the WFOE to inspect the OPCO's accounts regularly and at any time, and at the WFOE's request, providing the WFOE with relevant information, providing information regarding the OPCO's operation, business, customers, finance, staffing, etc. for the WFOE, its auditors and/or other professionals for any audit and due diligence exercise, and allowing the WFOE and its shareholders to disclose such information in accordance with relevant securities regulations;
- (vi) If requested by the WFOE, purchase and maintain insurance in respect of the OPCO's assets and business from an insurer acceptable to the WFOE, at an amount and type of coverage which are typical for companies that operate similar business;

- (vii) If requested by the WFOE in writing, pledge all receivables and all other assets as security for performing its obligations to pay the services fees under the Exclusive Business Consultation and Technical Services Agreement;
- (viii) Immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the OPCO's assets, business or revenue;
- (ix) Immediately notify the WFOE of the occurrence or possible occurrence of any circumstances which may have a material adverse effect on the OPCO's business and operations, and try its best to avoid such circumstances and/or mitigate the loss arising thereof; and
- (x) Executing all necessary or appropriate documents, taking all necessary or appropriate actions, and filing all necessary or appropriate complaints or raising necessary and appropriate defences against all claims so as to maintain OPCO's ownership of all its assets.

(3) The Loan Agreement

- Parties: (a) the WFOE (as lender); and
 (b) Mr. Tong (as borrower).
- Principal: The WFOE shall provide a non-interest bearing loan in an aggregate amount of RMB10,000,000 to Mr. Tong. The Loan has to be injected by Mr. Tong to the OPCO for the OPCO's research and development of mobile app, operation and providing services.
- Term: Ten (10) years from the date of provision of loan from the WFOE to Mr. Tong, unless the WFOE informs Mr. Tong in writing 30 days before the expiry date that it will not extend the term, the term will be renewed automatically every ten (10) years. Mr. Tong unconditionally agrees and accepts such renewal.

(4) The Equity Pledge Agreement

- Parties: (i) the WFOE (as pledgee); and
 (ii) Mr. Tong (as pledgor)

Term: Effective upon execution and shall remain binding until Mr. Tong discharges all his obligations under the other VIE Agreements in full.

Subject: Mr. Tong agrees to pledge all of their shares in the OPCO to the WFOE to secure the performance of all his obligations and the obligations of the OPCO under the VIE Agreements.

Any dividend and/or other distribution generated by the pledged equity interests during the term of the pledge shall be returned to the WFOE.

(5) The Authorisation Agreement

Parties: (a) the WFOE;
(b) the OPCO; and
(c) Mr. Tong

Term: Effective upon execution and shall remain in effect during the term of operation of the OPCO and the extendable term of operation in accordance with the PRC laws.

Subject: Mr. Tong unconditionally and irrevocably authorises the WFOE or its successor (who may further delegate such rights to other individuals) to exercise all of his rights as shareholder of the OPCO under PRC Laws, including but not limited to:

- (i) Convening, attending and participating shareholder's meetings of the OPCO, receiving relevant notice or document relating to the shareholders' meetings;
- (ii) Discussing and voting in shareholder's meetings of the OPCO;
- (iii) Signing and delivering any written resolutions and minutes of shareholder's meetings of the OPCO and any other documents required to be signed by the shareholder of the OPCO, and submitting documents with relevant companies registry for filing purpose;
- (iv) Selling, transferring, securing or disposing of the shares held by Mr. Tong in the OPCO;
- (v) Supervising the economic performance of the OPCO;

- (vi) Exercising full usage right of the OPCO's financial information;
- (vii) Instituting any legal proceedings or taking any legal action against the OPCO's directors or shareholders who act against the interest of the OPCO and its shareholders;
- (viii) Approving annual budget or declaring dividend;
- (ix) Exercising full rights to control and manage the finance, accounting and daily operation of the OPCO;
- (x) Approving any documents that have to be submitted to the relevant government departments or supervising authorities for filing purpose; and
- (xi) Exercising all other shareholder's rights under laws and regulations and articles of association of the OPCO.

Mr. Tong irrevocably undertakes that:

- (i) Unless with written consent from the WFOE, he will neither, directly or indirectly, participate or engage in any business which is or may be in competition with the business of the OPCO, its holding shareholder or its ultimate holding shareholder;
- (ii) In case Mr. Tong is also a director or senior management of the WFOE, its holding company or its ultimate holding company, a director or member of the senior management, other than Mr. Tong, as designated or authorized by the WFOE or its the ultimate holding company, shall be assigned to exercise the rights under this Authorisation Agreement;
- (iii) None of his actions or omissions will give rise to conflict of interests between himself and the WFOE (including the shareholders of the WFOE); and
- (iv) In the event of any conflict of interests between himself and the WFOE or its holding company (including its respective holding company) or the ultimate holding company, he will give priority to protect and cause no harm to the interests of the WFOE, its holding Company, or its ultimate holding company.

(6) The Intellectual Property License Agreement

- Parties: (a) the WFOE;
- (b) the OPCO; and
- (c) Mr. Tong
- Term: Effective upon execution and shall remain in effect during the term of operation of the OPCO and extendable term of operation in accordance with the PRC Laws. The Intellectual Property Rights Authorisation Agreement shall be terminated automatically upon transfer of all equity interest or assets of the OPCO to the WFOE (and/or other foreign-owned or foreign entity designated by its ultimate parent company) pursuant to the VIE Agreements
- Subject: The WFOE agrees to grant to the OPCO the non-transferrable right to use certain intellectual property rights in the PRC in relation to the development, operation, and maintenance of online platform. The OPCO may only use such intellectual property rights in operating its business.
- Fee: The fees shall be included in the services fees payable by the OPCO to the WFOE under the Exclusive Business Consultation and Technical Services Agreement.

(7) The Spousal Consent Letter

- Party: The spouse of Mr. Tong
- Subject: The spouse of Mr. Tong irrevocably agrees that, among others:
- (i) All the equity interests held by Mr. Tong in the OPCO and all the benefits generated from these equity interests do not form part of their matrimonial property;
 - (ii) No consent or rectification is needed from her in case Mr. Tong executes any legal document to perform, amend, or supplement the VIE Agreements;
 - (iii) All the benefits generated from the equity interests in the OPCO belong Mr. Tong and can be dealt with in any way without the consent of his spouse;
 - (iv) She shall be bound by the relevant VIE Agreements in the event that she obtains any equity interest in the OPCO held by Mr. Tong for any reason; and

- (v) She shall not take any action with the intent to interfere with the contractual arrangements, including making any claim that will give rise to hindrance over the performance by Mr. Tong's obligations under the VIE Agreements.

DISPUTES RESOLUTIONS, SUCCESSION AND LIQUIDATION UNDER THE VIE AGREEMENTS

Dispute Resolutions

The VIE Agreements are governed by and will be constructed in accordance with the PRC Laws. Any dispute arising from the VIE Agreements between the parties should first be resolved through negotiation. In case the dispute cannot be resolved within thirty (30) days, any party may submit the said dispute to Tianjin Arbitration Commission (天津仲裁委員會) in accordance with its then effective arbitration rules. The place of arbitration shall be in Tianjin and the language of arbitration shall be Chinese. The results of the arbitration shall be final and binding on the parties. In addition, the VIE Agreements contain provisions to the effect that parties may seek interim remedies from any courts of competent jurisdiction. When the arbitral award is granted, any party can apply for its enforcement in any courts of competent jurisdiction such as courts in Hong Kong, BVI, Cayman Islands, the PRC.

Succession

The provisions set out in the VIE Agreements are also binding on the successors of Mr. Tong, as if the successor were a signing party to the VIE Agreements. Although the VIE Agreements do not specify the identity of successors to Mr. Tong, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Agreements.

In addition, the spouse of Mr. Tong has made certain consents, confirmations and the undertakings, including an undertaking to be bound by the relevant VIE Agreements in the event that she obtains any equity interest in the OPCO held by Mr. Tong for any reason, details of which are set out in the paragraph headed "INFORMATION OF THE VIE AGREEMENTS — (7) Spousal Consent Letter" in this announcement.

Mechanism to deal with death or divorce of the shareholder of the OPCO

Appropriate provisions have been incorporated in the VIE Agreements to protect the Group's interests in the event of death or divorce of the sole shareholder of the OPCO, Mr. Tong. The VIE Agreements have certain provisions which set out that the respective agreement shall be binding on the assignees or successors of Mr. Tong, details of which are set out in the section above headed "INFORMATION OF THE VIE AGREEMENTS".

Bankruptcy

The Company's PRC legal adviser has advised that under the PRC laws, there is no concept of bankruptcy of a natural person and hence it is impossible for Mr. Tong to become bankrupt.

Liquidation

Pursuant to the Exclusive Purchase Right Agreement, when the WFOE exercises its right to dissolve and liquidate the OPCO, if Mr. Tong receives any residual assets and proceeds upon dissolution or liquidation, they shall return such residual assets and proceeds to the WFOE at nil consideration.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between Mr. Tong and the Group. Mr. Tong has made certain consents, confirmations and the undertakings, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (5) The Authorisation Agreement” in this announcement.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The VIE Agreements contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO.

In addition to the internal control measures as provided in the VIE Agreements, it is the intention of the Company, following completion of the Sale and Purchase Agreement to adopt, through the WFOE to adopt additional internal control measures against the OPCO as appropriate, having regard to the internal control measures to be adopted by the Group from time to time, which may include but not limited to:

Management controls

- (a) the Group will appoint one representative (the “**Representative**”) to the board of the OPCO mainly responsible for exercising all management controls of the OPCO. The Representatives are required to express opinions on behalf of the Company in the board of the OPCO and decide on major issues based on the Company’s opinions;
- (b) the Representative shall report any major events of the OPCO to the chief financial officer of the Company (the “**CFO**”), who must in turn report to the Board through the secretary of the Company (the “**Company Secretary**”);
- (c) the CFO shall conduct regular site visits to the OPCO and conduct personnel interviews quarterly and submit reports to the Board; and
- (d) all seals, chops, incorporation documents and all other legal documents, to the extent permitted by the PRC law, of the OPCO must be kept at the office of the WFOE or any other proper locations as specified by the Company.

Financial controls

- (a) the CFO shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO within 15 days after each month end for review. Upon discovery of any suspicious matters, the CFO must report to the Board through the Company Secretary;

- (b) if the payment of the services fees by the OPCO to WFOE is delayed, the CFO must meet with Mr. Tong to investigate, and should report any suspicious matters to the Board through the Company Secretary. In extreme cases, Mr. Tong will be removed and replaced;
- (c) the OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after the end of each month; and
- (d) the OPCO must assist and facilitate the Company to conduct all on-site internal audits on the OPCO if required by the Company.

Legal review

- (a) the Representative will consult the Company's PRC legal adviser from time to time to keep track of any legal developments in relation to the arrangement contemplated under the VIE Agreements, and should immediately report to the Board so as to allow the Board to determine if any actions are required to be taken;
- (b) as part of the internal control measures, the Board shall review on a regular basis of the implementation and performance of the VIE Agreements. The Board may engage legal advisors and/or other professionals to deal with specific issues arising from the VIE Agreements, if necessary; and
- (c) the Company shall review on a regular basis the compliance of the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the VIE Agreements.

COMPLIANCE OF VIE AGREEMENTS WITH PRC LAWS, RULES AND REGULATIONS

Restrictions on Foreign Investment

According to the Foreign Investment Law of the People's Republic of China* (the "**Foreign Investment Law**") (中華人民共和國外商投資法實施條例) which took effect on 1 January 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list for access of foreign investment, foreign investors shall conform to the investment conditions provided in the negative list. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) ("**Negative List 2020**") which became effective on 23 July 2020, foreign investment in value-added telecommunications services business in the PRC is restricted to less than 50% equity interests holding.

The Company's PRC legal adviser is of the view that, according to the Negative List 2020, and as having consulted the Tianjin commission of Commence* (天津市商務局) on 14 December 2020, the Company, as a foreign entity, is not allowed to hold over 50% direct interest in the OPCO, and further, since the Company (or its subsidiaries) does not possess the relevant operation experience in the value-added telecommunications services business in the PRC, it is not allowed to hold any direct interest in the OPCO.

In light of the above, the WFOE, the OPCO and Mr. Tong have entered into the VIE Agreements to enable the financial results, the economic benefits and the risks of the businesses of the OPCO to flow into the WFOE and to enable the WFOE to gain control over the OPCO.

The Company's PRC legal adviser, after taking reasonable actions and steps to reach its legal conclusions, is of the legal opinions that, among others:

- (1) the OPCO and the WFOE are duly established and validly existing under the PRC laws; none of the VIE Agreements violates any provisions of the existing articles of association of the OPCO;
- (2) the execution of the VIE Agreements do not require any approvals from any PRC governmental authority, except that (a) the Equity Pledge Agreement is subject to registration requirements with the relevant authorities, and the exercising of the exclusive option by the WFOE according to the Exclusive Purchase Right Agreement shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable); and (b) the authorization granted by the WFOE to the OPCO to use certain intellectual property rights in the PRC is subject to registration requirements with the relevant authorities;
- (3) each of the VIE Agreements, taken individually and collectively, constitutes legal, valid and binding obligations of the parties thereto and will be enforceable under applicable PRC laws and regulations except that (a) the arbitration commission has no power to restrict the operations of the OPCO, impose restrictions on the OPCO's asset, nor able to order the winding up of the OPCO pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;
- (4) the VIE Agreements are subject to the Foreign Investment Law and Regulations for the Implementation of the Foreign Investment Law* (中華人民共和國外商投資法實施條例), but there is no prohibition of the VIE Agreements in the aforesaid laws and regulation;
- (5) as confirmed by the Tianjin Commission of Commerce (天津市商務局), being a regulatory body of the OPCO's business, on 14 December 2020, (a) the Company, as a foreign entity, is not allowed to hold over 50% direct interest in the OPCO, and further, since the Company (or its subsidiaries) does not possess the relevant operation experience in the value-added telecommunications services business in the PRC, it is not allowed to hold any direct interest in the OPCO; (b) there is no clear procedure or guidance on how a foreign entity can fulfill the restrictions on foreign ownership; and (c) there is no restriction on the use of VIE structure under the VIE Agreements in the PRC laws and regulations.
- (6) the OPCO and has obtained or completed requisite licences, applications, registrations or filings for carrying out its existing business operations as required by the applicable PRC laws, regulations and rules; and

- (7) the VIE Agreements do not, individually or collectively, violate the mandatory provisions under clause 52 of the PRC Contract Law* (中華人民共和國合同法) and would not be deemed as “concealing illegal intentions with a lawful form” and void under the VIE Agreements.

REASONS FOR ADOPTING THE VIE STRUCTURE

The primary purpose for the Group to adopt the VIE structure is to enable the Group to provide the sales and market of automobiles through an online e-commerce platform indirectly through the OPCO, thereby deepening the Group’s reach to the business segment of services as well as widening the Group’s customer base. However, due to the foreign ownership restrictions under the PRC Laws as outlined above, the Group was not able to engage in the value-added telecommunications services business directly without first adopting the VIE structure.

In order to comply with the PRC Laws, the VIE Agreements were entered into among the WFOE, the OPCO and Mr. Tong. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO despite the lack of registered equity ownership.

THE BOARD’S VIEW ON THE VIE AGREEMENTS

Based on the above, the Board (excluding Mr. Tong, who abstained from voting on the resolutions to the Sale and Purchase Agreement proposed to the Board) is of the view that the VIE Agreements are narrowly tailored to achieve the OPCO’s business purpose and minimize the potential conflicts with and are enforceable under the relevant PRC Laws. The VIE Agreements enable the WFOE to gain control over the OPCO and to be entitled to the economic interests and benefits of the OPCO.

Pursuant to the relevant provisions of the VIE Agreements, the WFOE has the right to unwind the VIE Agreements as soon as the relevant PRC Laws allow the WFOE to register itself as the shareholder of the OPCO.

The Directors (excluding Mr. Tong, who abstained from voting on the resolutions to the Sale and Purchase Agreement proposed to the Board) further believe that save as disclosed, the VIE Agreements are enforceable under the relevant PRC Laws, and that the VIE Agreements will provide a mechanism that enables the WFOE to exercise effective control over the OPCO.

To the best of the knowledge, information and belief of the Directors (excluding Mr. Tong, who abstained from voting on the resolutions to the Sale and Purchase Agreement proposed to the Board), having made all reasonable enquiries, and advised by the Company’s PRC legal adviser as at the date of the announcement, the WFOE has not encountered any interference or encumbrance from any governing bodies in operating of the OPCO’s business.

RISK FACTORS IN RELATION TO THE VIE AGREEMENTS

The PRC government may find that the VIE Agreements do not comply with the applicable PRC laws and regulations, which the Target Group may subject to severe penalties or be forced to relinquish our interests received through the VIE Agreements.

The Foreign Investment Law

On 15 March 2019, the National People's Congress approved the Foreign Investment Law, which has come into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to unify the corporate legal requirements for both foreign and domestic investments and by way of having a Negative List (“**Negative List**”). The Negative List, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in PRC. A foreign investor shall not invest in any field prohibited from foreign investment under the Negative List.

A foreign investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List. For fields not mentioned in the Negative List, domestic and foreign investments shall be treated equally. However, the Foreign Investment Law does not stipulate that “foreign investment” as defined thereunder shall include contractual arrangements (which include the VIE structure). Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments made by foreign investors in China through other means stipulated under laws or administrative regulations or provisions of the State Council” without elaboration on the meaning of “other means”.

The Potential Impact of the Foreign Investment Law on the Target Group

If there is no applicable law or regulation that explains “other means” of foreign investment under which the Foreign Investment Law refers to, or if “other means” of foreign investment are specified under applicable laws or regulations not to include contractual arrangements, it is unlikely that the contractual arrangements (including the arrangements under the VIE Agreements) will be deemed as “foreign investments” under the Foreign Investment Law and therefore shall neither be subject to the Negative List nor be regulated by relevant authorities in accordance with the requirements of the Negative List.

If the business of the OPCO is on the Negative List, unless applicable laws or regulations define contractual arrangements as one of the “other means” of foreign investment, the probability that contractual arrangements are deemed as “foreign investment” under the Foreign Investment Law and be regulated by relevant authorities in accordance with the requirements of the Negative List, which results in the contractual arrangements being deemed as invalid or being required to meet the requirements of the Negative List is low.

If there are other related regulations defining “other means” of foreign investment to include contractual arrangements, the regulations above will not only apply to the OPCO, but also apply to other entities which operate under contractual arrangements.

Measures adopted by the Target Group to mitigate against any potential risk arising from the Foreign Investment Law

Foreign Investment Law does not contain a concrete guidance to deal with the existing VIE structures. As such, the Board will monitor the implementation of the Foreign Investment Law and discuss with the Company's PRC legal adviser on a regular basis in order to assess any possible impact arising from the implementation of the Foreign Investment Law on the VIE Agreements and the business operation of the Target Group. In case there would be material and adverse effect on the Target Group or the business of the OPCO arising from the Foreign Investment Law, the Company will timely publish announcements in relation to any amendments to or interpretations of the Foreign Investment Law; and any material impact of the Foreign Investment Law on the Target Group's operations and financial position.

The VIE Agreements may not be as effective in providing control over the OPCO as direct ownership

The Target Company relies on the contractual arrangements under the VIE Agreements with the OPCO to operate the principal business of the OPCO in the PRC. The VIE Agreements may not be as effective as direct ownership in providing the Target Group with control over the OPCO. If the Target Company was the controlling shareholder of the OPCO with direct ownership, it would be able to exercise its rights as a shareholder to effect changes to its board of directors of the OPCO, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements in the VIE Agreements, if the OPCO or its shareholder, Mr. Tong fails to perform its or his respective obligations under the VIE Agreements, the Target Company cannot direct the corporate action of the OPCO as the direct ownership would otherwise entail, and therefore we will be unable to maintain an effective control over the operations of the OPCO.

The VIE Agreements may be subject to scrutiny of the PRC tax authorities and additional taxes may be imposed.

The Target Group may face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Agreements were not entered into on an arm's length basis. If the PRC tax authorities determine that the VIE Agreements were not entered into on an arm's length basis, they may adjust income and expenses of the OPCO and/or the WFOE for PRC tax purposes, which could result in higher tax liabilities on the OPCO and/or the WFOE. As a result, the financial results of the Target Group may be materially and adversely affected if the PRC tax authorities impose additional taxes or penalties on late payments.

The shareholder of the OPCO may have conflicts of interest with the Target Group, which may materially and adversely affect the Target Group's business and financial conditions

Mr. Tong is the beneficial owner of the OPCO and their interests may differ from the interests of the Target Group as a whole. There is no assurance that when conflicts of interest arise, Mr. Tong will act in the best interests of the Target Group or that such conflicts will be resolved in the Target Group's favour. In addition, Mr. Tong may breach, or cause the OPCO to breach the VIE Agreements. If the Target Company cannot resolve

any conflict of interest or dispute with the OPCO, it would have to rely on legal proceedings, which could result in disruption of its business and subject itself to substantial uncertainties as to the outcome of any such legal proceedings. These uncertainties may impede the Target Company's ability to enforce the VIE Agreements. If the Target Company is unable to resolve any such conflicts, or if it experiences significant delays or other obstacles or subject to claims from third parties as a result of such conflicts, its business and operations could be severely disrupted, which could materially and adversely affect its results of operations and damage its reputation.

Certain terms of the VIE Agreements may not be enforceable under PRC law

The VIE Agreements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Tianjin Arbitration Commission (天津仲裁委員會) in Tianjin, the PRC. The language of arbitration shall be Chinese. The results of the arbitration shall be final and binding on the parties. In addition, the VIE Agreements contain provisions to the effect that parties may seek interim remedies from any courts of competent jurisdiction. When the arbitral award is granted, any party can apply for its enforcement in any courts of competent jurisdiction such as courts in Hong Kong, BVI, Cayman Islands, the PRC. However, under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in the OPCO in case of disputes. Therefore, such remedies may not be available to the Target Group, notwithstanding the relevant contractual provisions contained in the VIE Agreements.

The Target Company does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder

The insurance of the Target Company does not cover the risks relating to the VIE Agreements and the contractual arrangements contemplated thereunder and the Target Company has no intention to purchase any insurance in this regard. If any risk arises from the VIE Agreements in the future, such as those affecting the enforceability of the VIE Agreements and the operation of the OPCO, the financial results of the Target Company may be adversely affected. In addition, the Target Company will implement relevant internal control measures to reduce the operational risk.

The WFOE bears economic risks as the primary beneficiary of the OPCO, financial and potential exposure of the Target Company to record losses

As the primary beneficiary of the OPCO, the WFOE will share both profit and loss of the OPCO and bear economic risks which may arise from difficulties in the operation of the OPCO's businesses. The Target Company may have to provide financial support to the OPCO in the event of financial difficulty. In that case, the Target Company's financial results and financial position may be adversely affected by the worsening financial performance of the OPCO and the need to provide financial support to it.

There are limitations in exercising the option to acquire ownership in the OPCO

In case the WFOE exercises its option to acquire all or part of the equity interests in the OPCO owned by Mr. Tong under the Exclusive Purchase Right Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC Laws and will be subject to necessary approvals and relevant procedures under the applicable PRC Laws. In addition, a substantial amount of costs, expenses or time may be required in transferring the ownership of the OPCO, which may have a material adverse impact on the Target Company's operation.

IMPLICATIONS UNDER THE LISTING RULES

Disclosable Transaction

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all of them are below 25%, the Acquisition constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement but is exempted from Shareholders' approval requirements.

Connected transaction and continuing connected transactions

As at the date of this announcement, Mr. Tong, being the executive Director, is the ultimate beneficial owner of the Vendor and OPCO. Accordingly, each of the Vendor and the OPCO is an associate of Mr. Tong, and therefore a connected person of the Company. As such, the transactions contemplated under the Sale and Purchase Agreement and VIE Agreements constitute connected transaction and continuing connected transactions of the Company, respectively, under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of both of the transactions contemplated under Sale and Purchase Agreement and the VIE Agreements exceeds 5%, the transactions contemplated under the Sale and Purchase Agreement and the VIE Agreements are subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The Company will apply for a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the OPCO to the WFOE under the Exclusive Business Consultation and Technical Services Agreement.

GENERAL

Mr. Tong had abstained from voting at the Board meeting in respect of the resolutions approving the Acquisition and the VIE Agreements. To the best of the Directors' knowledge, information and belief, save for Mr. Tong, no other Director had a material interest in the transactions contemplated under the Sale and Purchase Agreement and the VIE Agreements and thus was required to abstain from voting at the Board meeting for considering and approving the same.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the VIE Agreements. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the VIE Agreements. In accordance with Rule 14A.52 of the Listing Rules, the Independent Financial Adviser will also explain why the duration of the VIE Agreements, which exceeds three years, constitutes a special circumstance under Rule 14A.52 of the Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration.

The Company will convene the EGM for the Independent Shareholders to, among other things, consider and, if thought fit, approve (i) the Acquisition and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition, thus no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Acquisition, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 5 January 2021.

Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Actual Net Profit”	the actual net profit as determined pursuant to the terms of the Sale and Purchase Agreement for determination of the Consideration, details of which are set out in the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Consideration” in this announcement
“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Company pursuant to the Sale and Purchase Agreement

“Authorisation Agreement”	authorisation agreement (股東表決權委託協議) entered into among the WFOE, Mr. Tong and the OPCO, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (5) The Authorisation Agreement” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday or statutory holiday) on which banks in the PRC are generally open for normal banking business
“BVI”	the British Virgin Islands
“Company”	China Fordoo Holdings Limited (中國虎都控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2399)
“Charming Expert”	Charming Expert Limited, a company incorporated in BVI with limited liability and directly wholly-owned by Mr. Tong as at the date of this announcement
“Completion”	completion of the Acquisition in accordance with the terms and conditions under the Sale and Purchase Agreement
“Completion Date”	the fifth Business Day after the date of fulfillment (or waiver) of all conditions precedent under the Sale and Purchase Agreement (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), on which Completion shall take place
“Consideration”	comprises Consideration I and Consideration II
“Consideration I”	being the part of the Consideration, details of which are set out in the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Consideration” in this announcement
“Consideration II”	being the part of the Consideration, details of which are set out in the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Consideration” in this announcement
“Consideration Share(s)”	new Shares to be issued by the Company to settle the Consideration

“Consideration Shares I”	being the Consideration Shares to settle Consideration I, details of which are set out in the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Consideration” in this announcement
“Consideration Shares II”	being the Consideration Shares to settle Consideration II, details of which are set out in the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Consideration” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve (i) the Acquisition and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares
“Equity Pledge Agreement”	the equity pledge agreement (股份質押協議) entered into between the WFOE and Mr. Tong, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (4) The Equity Pledge Agreement” in this announcement
“Exclusive Business Consultation and Technical Services Agreement”	the exclusive business consultation and technical services agreement (獨家諮詢及技術服務合作協議) entered into among the WFOE, the OPCO, and Mr. Tong details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (1) The Exclusive Business Consultation and Technical Services Agreement” in this announcement
“Exclusive Purchase Right Agreement”	the exclusive purchase right agreement (獨家購買權協議) entered into among the WFOE, Mr. Tong and the OPCO, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (2) The Exclusive Purchase Right Agreement” in this announcement
“Golden Maxwell”	Hong Kong Golden Maxwell Limited (香港金晟有限公司), a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by Mr. Tong as at the date of this announcement
“Group”	the Company and its subsidiaries

“Guarantor”	Mr. Tong Xin* (同心)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	a committee under the Board, which will be established for the purpose of advising the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the VIE Agreements, including independent non-executive Directors, Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Ms. Huang Yumin.
“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the VIE Agreements
“Independent Shareholders”	Shareholders other than those who have material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and are required to abstain from voting on the resolution(s) regarding the Acquisition at the EGM
“Intellectual Property License Agreement”	the intellectual property license agreement (知識產權授權協議) entered into among the WFOE, the OPCO and Mr. Tong, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (6) The Intellectual Property License Agreement” in this announcement
“Issue Price”	HK\$2.65, being the issue price per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Loan”	a non-interest bearing loan in an aggregate amount of RMB10,000,000 provided by the WFOE to Mr. Tong subject to the terms of the Loan Agreement, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (3) The Loan Agreement” in this announcement

“Loan Agreement”	the loan agreement (借款協議) entered into between the WFOE and Mr. Tong, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (3) The Loan Agreement” in this announcement
“Long Stop Date”	30 June 2021 (or such other date as the parties to the Sale of Purchase Agreement may agree in writing)
“Mr. Tong”	Mr. Tong Xin* (同心), an executive Director and the general manager of the Company and the ultimate beneficial owner of the Vendor and the OPCO as at the date of this announcement
“OPCO” or “Honggao Technology”	Tianjin Honggao Technology Co., Ltd.* (天津洪高科技有限公司), a company established under the laws of the PRC with limited liability
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 14 December 2020 entered into between the Company, the Vendor and the Guarantor in relation to the Acquisition
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to be obtained by the Board at the EGM for the allotment and issue of the Consideration Shares
“Spousal Consent Letter”	the spousal consent letter (配偶同意函) entered into by the spouse of Mr. Tong, details of which are set out in the paragraph headed “INFORMATION OF THE VIE AGREEMENTS — (7) The Spousal Consent Letter” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Good Productive Limited, a company incorporated in BVI with limited liability and indirectly wholly-owned by Mr. Tong through his wholly-owned subsidiaries, namely Charming Expert and the Vendor, as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, including the OPCO
“Vendor”	Famous Brightness Limited, a company incorporated under the laws of BVI with limited liability, which holds entire issued share capital of the Target Company as at the date of this announcement
“VIE”	variable interest entity
“VIE Agreements”	collectively, the Exclusive Business Consultation and Technical Services Agreement, the Loan Agreement, the Exclusive Purchase Right Agreement, the Equity Pledge Agreement, the Authorisation Agreement, the Intellectual Property License Agreement, and the Spousal Consent Letter, details of which are set out in the section headed “INFORMATION OF THE VIE AGREEMENTS” in this announcement
“WFOE”	Tianjin Jinsheng International Trade Co., Ltd.* (天津金聖國際貿易有限責任公司), a wholly-owned subsidiary of the Target Company, is a special purpose company established in the PRC with limited liability
“%”	per cent

* *For identification purpose only*

By order of the Board
China Fordoo Holdings Limited
Kwok Kin Sun
Chairman and executive Director

Hong Kong, 14 December 2020

As at the date of this announcement, the executive Directors are Mr. Kwok Kin Sun, Mr. Tong Xin, Mr. Kwok Hon Fung, and Ms. Mo Wei; and the independent non-executive Directors are Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Ms. Huang Yumin.

Website: www.fordoo.cn