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HENGTEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

(Stock Code of Warrants: 1493)

(1) DISCLOSEABLE TRANSACTION ACQUISITION OF 51.6% INTEREST IN SHENZHEN GRANDLAND INTELLIGENT INFORMATION LIMITED* AND (2) RESUMPTION OF TRADING

The Company is pleased to announce that on 21 November 2016, HengTen Sub, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors and the Guarantors, pursuant to the terms and conditions of which HengTen Sub has agreed to purchase and the Vendors has agreed to sell the entire issued share capital of each of the Target Companies for a total consideration that is determined based on the Valuation Report. The consideration is to be paid by Consideration Shares. The Target Companies will indirectly hold an aggregate of 51.6% of the equity interest in the PRC Subsidiary on the Completion Date.

The PRC Subsidiary is 深圳廣田智能科技有限公司 (Shenzhen Grandland Intelligent Information Limited*), established on 19 July 2006 with a registered capital of RMB100 million. It is the core intelligent technology enterprise under the Grandland Group and is committed to providing integrated intelligent technology solutions for family life. Based on the technology of Internet of Things, Grandland Intelligent has built a home ecosystem with hardware, software and cloud computing platform. By collecting and analysing data on user behaviours, it provides customers with personalized life services which make their home life “safe, comfortable, considerate and interactive”.

Listing Rules implications

As one of more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Sale and Purchase Agreement exceed 5% but are below 25%, the transaction contemplated under the Sale and Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from shareholders' approval requirements.

Resumption of trading

At the request of the Company, trading in the Company's shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 21 November 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading with effect from 9:00 a.m. on 22 November 2016.

Shareholders and potential investors should note that the transaction contemplated under the Sale and Purchase Agreement, which is subject to a number of conditions precedent. Shareholders and potential investors are reminded to exercise caution when dealing in securities of the Company.

Reference is made to the Announcement in which the Company indicated, among other things, that it plans to develop new business models by way of acquisitions and selecting high-quality partners in order to maximize its returns. Unless the context requires otherwise, all capitalised terms used in this announcement shall have the same meaning as defined in the Circular.

SALE AND PURCHASE AGREEMENT

The Company is pleased to announce that on 21 November 2016, HengTen Sub, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors and the Guarantors. Principal terms of the Sale and Purchase Agreement are set out below.

Date: 21 November 2016

Parties: (1) Vendors: Allied Trade Ventures Limited (協貿創投有限公司) and Alpha Year International Limited (首年国际有限公司)

(2) Purchaser: HengTen Sub

(3) Guarantors: Yip Yuen Sai (葉遠西) and Yip Ka Ming, Allen (葉嘉銘)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Shares to be acquired

Subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement, the Vendors agreed to sell, and the Purchaser agreed to purchase, the Sale Shares representing the entire issued share capital of the Target Companies, which in turn shall hold an aggregate of 51.6% of the equity interest in the PRC Subsidiary on the Completion Date.

Consideration and Consideration Shares

On Completion, the Purchaser shall pay the Vendors by the Company allotting and issuing the Consideration Shares at the Benchmark Share Price to the Vendors or its nominees.

The Benchmark Share Price of HK\$0.555 represents:

1. a discount of approximately 19.57% to the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 10.34% to the closing price of HK\$0.619 per Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the date of this Announcement;
3. a discount of approximately 2.03% to the closing price of HK\$0.5665 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days preceding the date of this Announcement; and
4. a premium of approximately 1.51% to the closing price of HK\$0.54675 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days preceding the date of this Announcement.

The Share Consideration will be satisfied by the Company allotting and issuing the Consideration Shares to the Vendors under the general mandate of the Company.

Basis of determination of the Consideration

The Purchaser shall appoint an independent valuer approved by the Vendors to assess the value of the PRC Subsidiary and issue a valuation report approved by both the Purchaser and the Vendors (the "Valuation Report"), in which the appraised value of the PRC Subsidiary shall not exceed HK\$12,500,000,000. The Purchaser and the Vendors shall determine the value of the PRC Subsidiary as approved by both the Purchaser and the Vendors based on the Valuation Report (the "Valuation").

The Directors (including the independent non-executive Directors) of the Company consider that the acquisition under the Sale and Purchase Agreement is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Consideration Shares

The Consideration shall be satisfied and paid in the following manner:

1. the Purchaser shall procure that the Company allots and issues certain new Shares in the Company to the Vendors or their nominee at the Benchmark Share Price.
2. the Consideration Shares shall be equivalent to the Valuation divided by the Benchmark Share Price. However, the Consideration Shares shall not exceed 9.9% of the entire share capital of the Company as enlarged by the issue and shall not exceed 8,086,106,278 Shares.

The Consideration Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 14,718,115,222 Shares. Since 10 June 2016, the Company has allotted and issued an aggregate of 1,158,800 Shares, reducing the number of Shares that the Directors may allot and issue under the General Mandate to up to 14,716,956,422 Shares.

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 upon Completion, will rank pari passu in all respects with the existing Shares then in issue.

Conditions

The Sale and Purchase Agreement will become effective following the fulfilment of, among others, the following conditions:

1. the completion of the due diligence in respect of the Target Group by the Purchaser to its satisfaction;
2. the completion of the Reorganisation to the satisfaction of the Purchaser;
3. the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares and having taken all steps to ensure that the Consideration Shares will be issued and freely tradeable on the Stock Exchange on the Completion Date;

4. since the date of the Sale and Purchase Agreement, there not having been a material adverse change;
5. all warranties provided by the Vendors in the Sale and Purchase Agreement remaining true, accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
6. the Vendors to deliver to the Purchaser a legal opinion addressed to the Purchaser, issued by an external PRC legal counsel, approved by the Purchaser, confirming that the Reorganisation has been duly completed and there is no outstanding liability; and
7. any existing shareholders' agreement or joint venture contract of the PRC Subsidiary having been duly terminated and no outstanding liability thereto.

Completion of the transfer of the Sale Shares

Completion of the transaction under the Sale and Purchase Agreement shall take place after all of the Conditions have been satisfied or waived on the day all the Sale Shares are transferred from the Vendors to the Purchaser, which is currently expected to take place by 16 December 2016 (or such other date as may be agreed between the Purchaser and the Vendors). Upon Completion, each of the Target Companies and the PRC Subsidiary will become an indirectly-owned subsidiary of the Company.

Guarantee

Each of the Guarantors jointly and severally, unconditionally and irrevocably guarantee to the Purchaser that he shall:

1. procure each of the Vendors (of which he is the ultimate beneficial owner) to duly and punctually perform its obligations and duties under the Sale and Purchase Agreement; and
2. indemnify the Purchaser fully for all liabilities, losses, damages, expenses and costs as a result of any breach of the warranties or any of the Vendors failing to perform or delay in performing its obligations under the Sale and Purchase Agreement.

Pre-Completion Obligations

The Vendors undertake to the Purchaser that after the date of the Sale and Purchase Agreement and pending Completion, the Vendors shall procure that the directors or the shareholders of the Target Group will not vote in favour of any resolution or exercise other powers of control available to it in its capacity as director which, except with the prior written approval of the Purchaser or in the ordinary course of business of the Target Group or for the purpose of completing the Reorganisation, provides for certain major corporate actions, such as any changes to the share capital of the Target Group, and merger, consolidation or dissolution of the Target Group.

Lockup

The Vendors (or its nominees) shall not, and shall procure that its nominees shall not, at any time during the period of 12 months commencing on the date of the allotment of the Consideration Shares, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Consideration Shares.

Non-compete undertakings

For so long as the Company holds any direct or indirect interest in the PRC Subsidiary, the Guarantors and the Vendors shall not, and shall procure its affiliates shall not, (i) directly or indirectly become interested in any business which competes with the business carried on by any companies of the Target Group, without the written consent of the Purchaser; or (ii) solicit any employee, customer or vendor of the Target Group.

Tax undertaking

The Vendors shall (to the extent required or applicable to it) fully and promptly discharge all reporting obligations and all other PRC tax liabilities assessed on it in relation to or otherwise arising from the sale of the Sale Shares by it.

INFORMATION ON THE PRC SUBSIDIARY

The PRC Subsidiary is 深圳廣田智能科技有限公司 (Shenzhen Grandland Intelligent Information Limited*), established on 19 July 2006 with a registered capital of RMB100 million. It is the core intelligent technology enterprise under the Grandland group and is committed to providing integrated intelligent technology solutions for family life. Based on the technology of Internet of Things, the PRC Subsidiary has built a home ecosystem with hardware, software and cloud computing platform. By collecting and analysing data on user behaviours, it provides customers with personalized life services which make their home life “safe, comfortable, considerate and interactive”. The core products of the PRC Subsidiary are its self-developed Turing Cat series of intelligent home hardware, software and back-office cloud service system, including sensors, controllers, switch panels, control platforms and control software and back-end servers. Turing Cat is not only the service and organisation hub to home appliances, but also arranges various kinds of social resources via the Internet to provide users with a full range of cloud services. Turing Cat system has “temperature” and is an intelligent solution that can perceive, have memory and can provide feedbacks. With innovative features such as supporting multi-terminal operation, user-friendly interaction, automated perception and in-depth learning of user habits, it maintains a comprehensive record of daily living habits, health information and consumption data of users.

The PRC Subsidiary is an innovative technology enterprise focusing on integrated smart home solutions and smart home ecosystem development and provides customers with tailor-made life services through collection and analysis of user behaviour data with the Internet of Things technology. Its core products are its self-developed Turing Cat series of smart home system incorporating sensors, controllers, switch panels, control platforms and control software and back-end servers, which has innovative features such as supporting multi-terminal operation, user-friendly interaction, automated perception and in-depth learning of user habits and can maintain a comprehensive record of daily living habits, health information and consumption data of users. Turing Cat is an open platform compatible with over 95% home appliance products in the market and enables its users to lead a smart family life without purchasing new home appliances.

Based on the unaudited financial information of the PRC Subsidiary prepared in accordance with the PRC GAAP, as provided by the Vendors, the total asset and the net asset value of the PRC Subsidiary as at 30 June 2016 were RMB 50,796,286.15 and RMB 37,438,657.13 respectively.

Based on the audited accounts of the PRC Subsidiary prepared in accordance with PRC GAAP, as provided by the Vendors, the audited net losses (before and after taxation) of the PRC Subsidiary for the two financial years ended 31 December 2015 and 31 December 2014 were as follows:

	For the year ended	
	31 December	31 December
	2015	2014
	<i>RMB</i>	<i>RMB</i>
Net Loss before taxation	6,577,557.29	1,267,564.39
Net Loss after taxation	4,937,335.45	954,719.05

REASONS AND BENEFITS FOR THE ACQUISITION

It is in line with the existing strategic plan and will improve the industrial chain of the Company. As an integrated internet community service operator, the Company currently provides three major types of fundamental services including property services, neighbourhood social networking and life services, as well as two types of value-added services including internet home and community finance, and continues to expand multi-function service segment which might be derived in the future. Given the huge size of the smart home market, the acquisition represents a strategic deployment in smart home under the existing plan and a key step to expand its smart home business. Smart home, as a service terminal, extends the services provided by the Company from communities “within the distance of last one kilometre” to families “within the distance of last one metre”, provides access to users through PC, iPad, mobile phones, televisions and operational panels, and enables the Company to improve its industrial chain and strengthen customer loyalty.

It will enable integration and optimisation of resources and improve the overall competitiveness of the Company. The PRC Subsidiary focuses on integrated smart home solutions, owns 16 patented technologies in relation to smart home, and occupies the leading position in the smart home area. Its self-developed patented communication technology is currently the only patented technology in the market that supports multiple communication protocols. It has high-quality products and innovative technologies that can directly enable the Company to expand into the smart home area with a high starting point. Upon completion of the transaction, Grandland group will remain an important shareholder of the PRC Subsidiary. Established in 1993, the Grandland group is a leading enterprise in the PRC building and decoration industry and has the widest and highest level of qualifications among industry players. Grandland became listed in the Shenzhen Stock Exchange in 2010 with stock code of 002482 and the Company can have access to its resources. With the support of China Evergrande Group and in accordance with the Company's business development plan, the ICS Online Platform will cover all the Evergrande Communities and be expanded to other residential communities in the PRC by 2017. With the overlapping of a majority of target users, the products and technology advantages of the PRC Subsidiary and the community user resources of the Company will supplement each other and enable the quick launch of products in the market, the generation of huge additional consumption and the capturing of the share of the smart home market.

It will promote the coordinated development of various business segments and the big data collection will contribute to product research and development. Currently the PRC Subsidiary has set up an alliance with more than 20 suppliers of leading home product brands across China to provide community property owners and enterprise users with "new properties with move-in condition". The acquisition represents a cooperation between strong market players and will enable the Company to expand into smart home business, enrich its internet home product and service system and create a win-win situation. In addition, the introduction of the smart home service system will further collect and enrich big data from users, lay a solid foundation for the development and optimisation of products and services in the future, and achieve the construction of an ecosystem from smart home to smart communities.

EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is a summary of the shareholding in the Company as at the date of this announcement and, for illustrative purposes only, upon Completion of the transaction of the Sale and Purchase Agreement, assuming there being no other changes in the issued share capital and the shareholding structure of the Company after the date of this announcement and assuming that Consideration Shares representing 9.9% of the issued share capital of the Company is allotted and issued to the Vendors.

Shareholders	As at the date of this announcement		Immediately after Completion	
	No. of Shares	%	No. of Shares	%
China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) (Note 1)	40,417,570,910	54.92	40,417,570,910	49.48
Solution Key Holdings Limited (Notes 1, 2)	40,417,570,910	54.92	40,417,570,910	49.48
Tencent Holdings Limited (Notes 3, 4)	14,697,298,513	19.97	14,697,298,513	17.99
Water Lily Investment Limited (Note 4)	14,697,298,513	19.97	14,697,298,513	17.99
The Vendors	–	–	8,086,106,278	9.9
Others	18,476,865,491	25.11	18,476,865,491	22.63
Total	<u>73,591,734,914</u>	<u>100</u>	<u>81,677,841,192</u>	<u>100</u>

Notes:

- (1) Each of (a) China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) (via its shareholding in Solution Key Holdings Limited) and (b) Solution Key Holdings Limited has further deemed interest in 4,706,459,934 Shares.
- (2) Solution Key Holdings Limited is an indirect wholly-owned subsidiary of China Evergrande Group.
- (3) Each of (a) Tencent Holdings Limited (via its shareholding in Water Lily Investment Limited) and (b) Water Lily Investment Limited has further deemed interest in 1,711,439,976 Shares.
- (4) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.

INFORMATION ON THE PARTIES

The Company

The Company and its subsidiaries are principally engaged in internet community services, investment and trading of securities, provision of finance, property investment and manufacture and sales of accessories for photographic and electrical products.

Purchaser

The Purchaser is Sun Mass Energy Development Limited, a wholly-owned subsidiary of the Company. It is an investment holding company.

Vendors and Guarantors

Vendor A is a directly wholly owned by Guarantor A and Vendor B is directly wholly owned by Guarantor B. Vendor A and Vendor B are both principally engaged in investment holding. Guarantor A is the actual controller of Grandland, which currently directly holds 41% of the equity interest in the PRC Subsidiary. Guarantor B is a shareholder of Grandland.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement exceed 5% but all are less than 25%, the transaction contemplated under the Sale and Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from shareholders' approval requirements.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 21 November 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading with effect from 9:00 a.m. on 22 November 2016.

Shareholders and potential investors should note that the transaction contemplated under the Sale and Purchase Agreement, which is subject to a number of conditions precedent. Shareholders and potential investors are reminded to exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Announcement”	the announcement of the Company dated 23 September 2016 in relation to its business update and proposed use of proceeds from the Subscription (as defined in the Circular)
“Benchmark Share Price”	HK\$0.555
“Circular”	the circular of the Company dated 21 September 2015 in relation to, among other things, the Subscription (as defined therein)
“Company”	HengTen Networks Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 136)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
“Completion Date”	the date upon which Completion will take place
“Conditions”	the conditions to the Completion, which are set out in the section “Conditions” of this announcement
“Consideration”	the Valuation
“Consideration Shares”	the Shares representing, in aggregate, up to 9.9% of the enlarged issued share capital of the Company, which shall not exceed 8,086,106,278 Shares
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted at the extraordinary general meeting of the Company held on 10 June 2016

“Grandland”	Shenzhen Grandland Group Co., Ltd (深圳廣田集團股份有限公司), a company incorporated in the PRC with limited liability and listed on the Shenzhen Stock Exchange
“Guarantors”	collectively, Guarantor A and Guarantor B
“Guarantor A” or “Mr. Yip Yuen Sai”	Yip Yuen Sai (葉遠西), the sole shareholder of Vendor A, and is the actual controller of Grandland, which directly owns 41% of the equity interest in the PRC Subsidiary
“Guarantor B” or “Mr. Yip Ka Ming”	Yip Ka Ming, Allen (葉嘉銘), the sole shareholder of Vendor B, which directly owns 41% of the equity interest in the PRC Subsidiary
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HengTen Sub” or “Purchaser”	Sun Mass Energy Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“PRC GAAP”	PRC generally accepted accounting principles
“PRC Subsidiary”	深圳廣田智能科技有限公司 (Shenzhen Grandland Intelligent Information Limited*), a company established in the PRC, which is currently a subsidiary of Grandland

“Reorganisation”	the reorganisation of the ownership of certain entities, the completion of which shall result in the Vendors indirectly holding an aggregate of 51.6% of the equity interest in the PRC Subsidiary through the Target Companies
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 November 2016 and entered into among the Vendors, the Purchaser and the Guarantors in relation to the sale and purchase of the Sale Shares of the Target Companies
“Sale Shares”	(i) 1 share of US\$1.00 each representing the entire issued share capital of Target Company A; and (ii) 1 share of US\$1.00 each representing the entire issued share capital of Target Company B.
“Share”	ordinary share of HK\$0.002 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Target Company A and Target Company B
“Target Company A”	Noble Sea Group Limited (御海集團有限公司), a company to be incorporated in the British Virgin Islands and shall become a directly wholly-owned subsidiary of the Vendor A, which in turn shall hold 28% of the equity interest in the PRC Subsidiary pursuant to the Reorganisation
“Target Company B”	Grade A Ventures Limited (極品創投有限公司), a company to be incorporated in the British Virgin Islands and shall become a directly wholly-owned subsidiary of the Vendor B, which in turn shall hold 23.6% of the equity interest in the PRC Subsidiary pursuant to the Reorganisation
“Target Group”	The Target Companies, the PRC Subsidiary, and their subsidiaries

“Valuation Report”	has the same meaning ascribed to it under the section headed “Basis of determination of the Consideration”
“Vendor A”	Allied Trade Ventures Limited (協貿創投有限公司), a company incorporated in the British Virgin Islands and a directly wholly-owned by Guarantor A
“Vendor B”	Alpha Year International Limited (首年國際有限公司), a company incorporated in the British Virgin Islands and a directly wholly-owned by Guarantor B
“Vendors”	collectively, Vendor A and Vendor B

By Order of the Board
HengTen Networks Group Limited
Ms. Zhang Xiaohua
Chairlady

Hong Kong, 21 November 2016

As at the date of this announcement, the executive directors of the Company are Ms. Zhang Xiaohua, Mr. Liu Yongzhuo, Mr. Huang Xiangui and Mr. Zhuo Yueqiang; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin.

* *for identification purpose only*