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## **ABC COMMUNICATIONS (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 30)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY**

The Board wishes to announce that after trading hours on 24 March 2014, the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Company will acquire 60% of the issued share capital and shareholders' loans of the Target Company for a total cash consideration of HK\$60,000,000.

The relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Acquisition are more than 5% but less than 25%. Accordingly, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under the Listing Rules.

**Shareholders and potential investors of the Shares should note that the Proposed Acquisition is subject to the fulfillment or waiver of conditions precedent and may or may not proceed to Completion. Shareholders and investors should exercise caution in dealing with the securities of the Company.**

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## **ACQUISITION AGREEMENT**

### **Date**

24 March 2014

### **Parties**

- (1) The Company
- (2) The Vendor

To the best knowledge of the Directors after making all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

### **Subject matter**

Pursuant to the Acquisition Agreement, the Company will acquire 60% of the issued share capital and shareholders' loans as at Completion of the Target Company from the Vendor. Based on the management accounts of the Target Company as at 31 December 2013, the shareholder's loans of the Target Company as at 31 December 2013 amounted to approximately RMB15,740,000 (HK\$19,924,051).

Further details of the Target Group is set out in the section headed "Information on the Target Group" in this announcement. The financial information of the Target Group is set out in the section headed "Financial Information of the Target Group" in this announcement.

### **Consideration**

The total cash consideration payable by the Company to the Vendor for the Proposed Acquisition amounts to HK\$60,000,000, which will be payable in cash on Completion.

Payment of the consideration for the Proposed Acquisition will be funded from the internal financial resources of the Group.

### **Basis of the consideration**

The consideration for the Proposed Acquisition is arrived at after arm's length negotiations between the Company and the Vendor, taking into account (a) our assessment on the prospect of the technology owned by the Target Group; and (b) the potential synergy between the encryption technology of the Target Group with our Group's existing businesses of financial information and securities trading system.

After considering the above factors, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Acquisition Agreement and the terms and conditions of the Proposed Acquisition (including the consideration and payment terms) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion of the Acquisition Agreement is conditional upon, amongst other things:

- (a) due diligence review on the Target Group having been completed to the satisfaction of the Company;
- (b) obtaining of satisfactory legal opinion confirming the ownership and legality of the assets and operations underlying the Target Group;
- (c) all filings necessitated by the signing and performance of the Acquisition Agreement having been carried out and all applicable laws and regulations having been fully complied with;
- (d) no events having occurred between signing of the Acquisition Agreement and Completion which may result in any material adverse effect on the Target Group;
- (e) the warranties given by the Vendor in respect of the Target Group being true, accurate and not misleading as if repeated at Completion and at all times between the date of the Acquisition Agreement and Completion;
- (f) the obtaining of a valuation report (in form and substance satisfactory to the Company) from a valuer appointed by the Company and showing that the fair value of the Acquired Interest is not less than HK\$60,000,000; and
- (g) the Company having sufficient working capital to finance the payment of cash consideration at Completion.

All the conditions precedent above can be waived at the absolute discretion of the Company.

The long stop date for the fulfillment or waiver of the conditions precedent is 30 April 2014 (or such later date as may be mutually agreed by the parties). Completion shall take place on the third business days after the last condition precedent is fulfilled or waived. If the conditions precedent are not fulfilled or waived on or before 30 April 2014 (unless the long stop date is extended by the parties as mentioned above), no party shall have any claim in relation to the Acquisition Agreement (without prejudice to the rights of any party in respect of antecedent breaches).

## **INFORMATION ON THE TARGET GROUP**

The Target Company is a company incorporated in the British Virgin Islands with limited liability. According to the information provided by the Vendor, the Target Company is an investment holding company whose only principal asset is its 100% shareholding interest in HK Subsidiary.

HK Subsidiary is a company incorporated in Hong Kong with limited liability. According to the information provided by the Vendor, HK Subsidiary is an investment holding company whose only principal asset is its 100% equity interest in PRC Subsidiary A.

PRC Subsidiary A is a wholly foreign owned enterprise established in the PRC. The scope of business operations of PRC Subsidiary A include the development of environmental protection and energy saving technology, production of electronic products and batteries, and the provision of agency and import and export services. According to the information provided by the Vendor, PRC Subsidiary A does not itself conduct any active business operations and its only principal asset is the 100% equity interest in PRC Subsidiary B.

PRC Subsidiary B is a limited liability company established in the PRC. The scope of business operations of PRC Subsidiary B include the development of technologies involving communication terminals and software, communication equipment and devices, sale and purchase of mobile communication terminals, communication system integration, and import and export businesses. According to the information provided by the Vendor, PRC Subsidiary B is principally engaged in the development of an application platform with software relating to crypto cloud computing and quantum direct key encryption and the design, manufacture and distribution of portable devices embedded with such encryption technology. Since its date of establishment, PRC Subsidiary B has applied for 3 patents in the PRC and the United States in respect of its technology. In addition, based on the information provided by the Vendor, PRC Subsidiary B is in advanced negotiation with mobile telecommunication service providers in the PRC regarding the possible distribution of devices developed by the Target Group through the retail channels of the mobile telecommunication service providers. PRC Subsidiary B also holds 100% equity interest in PRC Subsidiary C.

PRC Subsidiary C is a limited liability company established in the PRC. The scope of business operations of PRC Subsidiary C include the development of electronic devices, communication devices, computing devices, electronic communication and peripheral products, and mobile phone technology, domestic trade, import and export of goods and technology, and the manufacture, sale and repairs of mobile phones. PRC Subsidiary C has attained ISO9001:2008 certification for the design and manufacture of mobile devices.

If the Acquisition Agreement proceeds to completion, the Target Company, HK Subsidiary, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become non-wholly owned subsidiaries of the Company.

## **REASONS FOR THE PROPOSED ACQUISITION**

The Company is an investment holding company, whose subsidiaries are principally engaged in the provision of financial information services, wireless applications development, securities trading system licensing and mining operations.

Since as early as mid-2009, the Company has been exploring various proposals regarding possible acquisitions in an effort to broadening its source of income and alleviating reliance on its existing businesses. It has always been the Company's strategy to explore all opportunities in fast-growing industries and to achieve diversification and growth through acquisitions. The Proposed Acquisition is therefore in line with the Company's diversification and growth strategy.

The Target Group, through PRC Subsidiary B, is principally engaged in the design, manufacture and distribution of integrated chips, portable communication devices and software that deliver secured access to and secured storage for electronic mail, telephone call, text messaging, instant messaging, mobile internet and mobile applications. The hardware and software developed by the Target Group employ a proprietary encryption technology called Quantum Direct Key ("QDK"). QDK differs from conventional data encryption logic in the sense that conventional data encryption uses a third party authentication center for certificate issuing and digital signature exchange, while QDK involves the direct key exchange without the involvement of a third-party agent. The portable communication devices developed by the Target Group is equipped with ordinary smart-phone capabilities in terms of telecommunication and computing functions. Based on the business plan of the Target Group, its encryption devices are targeted for high-end enterprise customers, government officials and retail customers with high awareness of safe and secure payment and communication over the Internet and, in particular, via smart-phones.

In the light of the booming e-commerce and m-commerce sectors, the Board considers that the encryption technology and products developed by the Target Group should have great business potentials. The Proposed Acquisition also represents a good opportunity for the Company to (a) explore synergy with the Group's existing businesses of financial information and securities trading system which also requires secured and encrypted transmission of data and personal information over the Internet and mobile devices; and (b) enter into the fast-growing portable communication and computing device industry.

## **FINANCIAL INFORMATION OF THE TARGET GROUP**

No audited accounts have been prepared by the Target Company since its date of incorporation on 15 April 2011. Based on the unaudited management accounts of the Target Company provided by the Vendor, which were prepared in accordance with generally accepted accounting principles in Hong Kong, the Target Company had an unaudited net asset value of HK\$375,000 as at 31 December 2013, and had recorded unaudited net losses (both before and after taxation) of HK\$15,000 from its date of incorporation up to 31 December 2013.

PRC Subsidiary B is the only entity within the Target Group which has a track record of business operations. The financial statements of PRC Subsidiary B provided by the Vendor, which were prepared in accordance with generally accepted accounting principles in the PRC, contain the following financial information:-

- (a) As at 31 December 2013, the unaudited total and net assets of PRC Subsidiary B were RMB24,063,585 (HK\$30,460,234) and RMB12,417,555 (HK\$15,718,424), respectively;
- (b) For the financial year ended 31 December 2013, PRC Subsidiary B recorded unaudited net loss before and after tax of RMB5,519,786 (HK\$6,987,071); and
- (c) For the financial year ended 31 December 2012, PRC Subsidiary B recorded audited net loss before and after tax of RMB2,602,414 (HK\$3,294,195) and RMB2,602,554 (HK\$3,294,372), respectively.

## **IMPLICATIONS UNDER THE LISTING RULES**

The relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Acquisition are more than 5% but less than 25%. Accordingly, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under the Listing Rules.

## **GENERAL**

**Shareholders and potential investors of the Shares should note that the Proposed Acquisition is subject to the fulfillment or waiver of conditions precedent and may or may not proceed to Completion. Shareholders and investors should exercise caution in dealing with the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following definitions shall have the meanings set out below unless the context requires otherwise:

“Acquired Interest”	60% of the issued share capital and shareholders’ loans of the Target Company proposed to be acquired by the Company from the Vendor in the Proposed Acquisition
“Acquisition Agreement”	a sale and purchase agreement entered into between the Company and the Vendor on 24 March 2014 in relation to the Proposed Acquisition
“Board”	the board of Directors
“Company”	ABC Communications (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange with stock code 30
“Completion”	completion of the Acquisition Agreement
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Time Faith Development Limited (大貴發展有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company

“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC Subsidiary A”	金帛環保科技(深圳)有限公司, a wholly foreign owned enterprise established in the PRC and 100% owned by HK Subsidiary
“PRC Subsidiary B”	深圳市德創通信息科技有限公司(DeTron Tech Ltd.), a limited liability company established in the PRC and 100% owned by PRC Subsidiary A
“PRC Subsidiary C”	深圳市旺富通科技有限公司, a limited liability company established in the PRC and 100% owned by PRC Subsidiary B
“Proposed Acquisition”	the proposed acquisition of 60% of the issued share capital and shareholders’ loans of the Target Company by the Company from the Vendor pursuant to the Acquisition Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	having the meaning ascribed to it under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Company”	POMP International Limited (盛會國際有限公司), a company incorporated in the British Virgin Islands with limited liability



“Target Group” the Target Company and its subsidiaries from time to time, including HK Subsidiary, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C

“Vendor” Mr. Guo Weijun

For the purpose of this announcement, the exchange rate used for conversion between HK\$ and RMB is HK\$1.00 = RMB 0.79.

By order of the board of  
**ABC Communications (Holdings) Limited**  
**Chen Jiasong**  
*Chairman*

Hong Kong, 24 March 2014

*As at the date of this announcement, the Board of Directors of the Company comprises:*

*Executive Directors:*

Mr. Chen Jiasong (*Chairman*)

Mr. Cheung Wai Shing

*Independent Non-executive Directors:*

Mr. Chen Haoyun, Jordy

Mr. Lee Kwong Yiu

Mr. Yau Chung Hang

Mr. Zhang Guang Hui