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Transmit Entertainment Limited

傳遞娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1326)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF 60%
EQUITY INTEREST IN THE TARGET COMPANY**

THE AGREEMENTS

On 10 September 2019, Guangzhou Daide, a subsidiary of the Company, the Sellers and the Target Company entered into the Equity Transfer Agreement, pursuant to which Guangzhou Daide conditionally agreed to acquire, and Seller One and Seller Three conditionally agreed to sell, the Sale Interests representing 60% equity interest in the Target Company, at an aggregate consideration of RMB96,000,000 and Seller Two and Seller Four agreed to grant the Call Option to Guangzhou Daide for purchasing the remaining 40% equity interest in the Target Company.

On the same day, Guangzhou Daide, the Sellers and the Target Company also entered into the Profit Guarantee Agreement, pursuant to which subject to Completion, Seller Two and Seller Four undertake to Guangzhou Daide that the Aggregated Profit for the Profit Guarantee Period shall be no less than RMB70,000,000.

Upon Completion, the Target Company will become a subsidiary of Guangzhou Daide and its financial results will be consolidated into the financial results of the Company. The Target Company will become a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% and all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENTS

Equity Transfer Agreement

Date: 10 September 2019

Parties: (1) Guangzhou Daide, as the purchaser;
(2) the Sellers; and
(3) the Target Company

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Sellers, the Target Company and their respective ultimate beneficial owners is an Independent Third Party.

Subject Matter

Pursuant to the Equity Transfer Agreement, Guangzhou Daide conditionally agreed to acquire and Seller One and Seller Three conditionally agreed to sell the Sale Interests, representing 60% equity interest in the Target Company.

Consideration

The Consideration is RMB96,000,000 and shall be paid by Guangzhou Daide in the following manner:

- (1) RMB23,520,000 (representing the consideration for the 14.7% equity interest in the Target Company held by Seller One) shall be paid to Seller One within 10 Business Days of the signing of the Equity Transfer Agreement;
- (2) subject to the fulfillment or the waiver of the conditions precedent (as the case may be) and Completion, RMB24,480,000 (representing the consideration for the 15.3% equity interest in the Target Company held by Seller Three) shall be paid to Seller Three on or before 31 March 2020; and
- (3) subject to the fulfillment or the waiver of the conditions precedent (as the case may be) and Completion, RMB48,000,000 being the remaining balance of the Consideration (representing the consideration for the 30% equity interest in the Target Company held by Seller Three) shall be paid to Seller Three on or before 31 December 2020.

The Consideration was determined after arm's length negotiations between Guangzhou Daide, the Sellers and the Target Company taking into account, among other things:

- (1) the profit guarantee provided by Seller Two and Seller Four to Guangzhou Daide under the Profit Guarantee Agreement;
- (2) the business development and future prospect of the Target Company; and
- (3) the estimated value of 100% equity interest in the Target Company as at 30 June 2019 of approximately RMB164,000,000, based on the latest valuation report prepared under the market approach by an independent valuer engaged by the Company with reference to the China valuation standards* (國內資產評估準則) (the “**Valuations**”).

The Consideration will be funded by the internal resources of the Company and/or shareholder's loan.

Conditions precedent

Completion is subject to the following conditions precedent being fulfilled or waived (as the case may be) on or before the Long Stop Date:

- (1) each of Seller Two and Seller Four having provided a written statement waiving its right of first refusal with respect to the Sale Interests;
- (2) the shareholder of Seller Three having approved the transfer of Sale Interests to Guangzhou Daide;
- (3) the registered capital of the Sale Interests having been fully contributed;
- (4) each party of the Equity Transfer Agreement having obtained all necessary approval and consent regarding the transfer of the Sale Interests;
- (5) nothing having happened that will cause any material adverse change to the financial, business, assets, sales and profits of the Target Company from the signing of the Equity Transfer Agreement to the Completion Date;
- (6) the Equity Transfer Agreement having been duly signed and becoming effective; and
- (7) the representation, warranties and undertakings made by the parties remaining true and accurate from the signing of the Equity Transfer Agreement to the Completion Date.

Guangzhou Daide may waive (in whole or in part) any of the conditions above in its absolute discretion at any time on or before the Long Stop Date. If any of the above conditions has not been fulfilled or waived by Guangzhou Daide (as the case may be) on or before the Long Stop Date, the Equity Transfer Agreement may be terminated by Guangzhou Daide with no further effect, except for certain surviving provisions and any liability in respect of any antecedent breach. Seller One and Seller Three shall return all of the consideration paid by Guangzhou Daide within one Business days after such termination.

As at the date of this announcement, save as condition (3), the other conditions above have been fulfilled.

Completion

Within 30 days after the fulfillment (or waiver, where applicable) of the conditions precedent, Completion shall take place on the date on which the Sale Interests shall be registered under the name of Guangzhou Daide with the relevant administration for industry and commerce bureau.

Call option

Pursuant to the Equity Transfer Agreement, Seller Two and Seller Four agreed to grant Guangzhou Daide the Call Option to purchase the remaining 40% equity interest in the Target Company (the “**Second Share Transfer**”). Guangzhou Daide has its sole and absolute discretion to exercise the Call Option anytime within two months after the issuance of the 2022 audit report of the Target Company for determining the Aggregated Profit. No premium is payable for the grant of the Call Option.

Profit Guarantee Agreement

On the date of the Equity Transfer Agreement, the parties to the Equity Transfer Agreement also entered into the Profit Guarantee Agreement.

Pursuant to the Profit Guarantee Agreement, subject to Completion, Seller Two and Seller Four undertake to Guangzhou Daide that the Aggregated Profit for the Profit Guarantee Period shall be no less than RMB70,000,000. Guangzhou Daide is entitled to appoint an auditor to conduct an auditing for the Target Company during the Profit Guarantee Period. The audit report of the Target Company for determining the Aggregated Profit shall be prepared based on Hong Kong GAAP and shall be issued within four months after the ending of each financial year during the Profit Guarantee Period.

In the event that the Aggregated Profit is less than RMB70,000,000, Seller Two and Seller Four shall severally and jointly pay the shortfall cash amount to Guangzhou Daide within five Business Days upon receiving the shortfall amount notice from Guangzhou Daide.

If the Aggregated Profit is equivalent to or more than RMB70,000,000, the consideration for the Second Share Transfer is RMB80,000,000.

If the Aggregated Profit is less than RMB70,000,000, the consideration for the Second Share Transfer will be adjusted as follows:

Aggregated Profit	Consideration for the Second Share Transfer
Less than RMB56,000,000	Nil
Equal to or more than RMB56,000,000 but less than RMB63,000,000	RMB20,000,000
Equal to or more than RMB63,000,000 but less than RMB70,000,000	RMB40,000,000

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in Shanghai with limited liabilities and is principally engaged in the planning of culture and entertainment, the performance agent and the training for music bands businesses. In 2016, the Target Company was the appointed manager of the music band group named, CH2 Girls Group, which includes Ms. Yang Chaoyue* (楊超越) (“**Ms. Yang**”) as the key member. Ms. Yang is a Chinese teen idol member signed the artiste management contract with the Target Company. She debuted as a member of Rocket Girls 101* (火箭少女101) after attending Tencent’s girl group talent show Produce 101* (創造101) and was named by Artiste of the Year 2018* (「影響中國2018年度演藝人物」).

As at the date of this announcement, the Target Company is owned as to 14.7% by Seller One, 10.0% by Seller Two, 45.3% by Seller Three and 30.0% by Seller Four, respectively.

FINANCIAL INFORMATION ON THE TARGET COMPANY

Set out below is the audited financial information of the Target Company for the years ended 31 December 2017 and 2018 which have been prepared in accordance with the China Accounting Standards for Small Enterprises:

	<i>(in RMB'000)</i>	
	For the year ended 31 December	
	2017	2018
Turnover	1,836	6,874
Net (loss) after taxation	(2,191)	(1,545)
		As at
		31 December
		2018
Net asset value		6,264

Upon Completion, the Target Company will become a subsidiary of Guangzhou Daide. The financial results of the Target Company will be consolidated into the financial results of the Company and the Target Company will become a subsidiary of the Company.

REASONS AND BENEFITS

The Group is committed to realizing the integration of brand creation and production and the strategic objective of diversified development and actively exploring and developing its self-owned brand on the basis of its quality content creation team, outstanding artist and talent matrix and excellent works of film, television and variety shows. By expanding the artist group and vigorously developing the celebrity market, the Group discovered diversified realization models and created more economic value for the Group. The Acquisition will enable the Group to expand its business landscape vertically rather than horizontally and extend its footprint to the booming popular idol group industry in area of the China's film and television culture and obtain the commercial performances license* (營業性演出許可證) held by the Target Company, which will greatly enhance the Group's business value and brand influence. Also, the Call Option will motivate Seller Two and Seller Four to continue increasing the value of the Target Company, thereby creating a broad space for development for the Group in the field of pan-entertainment consumption.

The Group will continue to consolidate its existing business foundation, and proactively explores new opportunities in relation to the development of the film, television and media industry leveraging on its outstanding production, distribution, licensing and post-production capabilities in film, television and variety shows, especially cooperation opportunities derived from the upstream and downstream of the industry chain. We will continuously extend our coverage in artiste, celebrity matrix and the number of copyrights of film, television and variety shows. We will exploit and foster new young brands by closely following the interests of users, as well as continuously upgrading the young brands based on interactions with users, which will continue to enhance the Group's business value and profitability, and bring more favorable returns to Shareholders.

INFORMATION ON THE PARTIES INVOLVED

The Group

The Company principally engages in diversified culture-related businesses including (i) film and TV series production and distribution; (ii) film exhibition; and (iii) others, including post-production, advertising, marketing and other revenue. The Group mainly produces Chinese films, TV entertainment programs and TV series in China.

Guangzhou Daide is a company established in Guangzhou with limited liability, a subsidiary of the Company and it is principally engaged in investment holding.

The Sellers

Seller Three is a company established in Shanghai with limited liability and it is principally engaged in e-Sports competition planning and management business.

Seller Four is a limited partnership established in Shanghai and it is principally engaged in corporate management consulting business.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% and all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interests
“Aggregated Profit”	the aggregated net profit after taxation (excluding gain or loss arising from valuations, mergers and acquisitions and activities other than ordinary course of business) as shown in the financial statements of the Target Company for the Profit Guarantee Period to be prepared in accordance with Hong Kong GAAP and audited by the auditor appointed by Guangzhou Daide
“Agreements”	the Equity Transfer Agreement and the Profit Guarantee Agreement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Call Option”	the call option granted by Seller Two and Seller Four to Guangzhou Daide to purchase the remaining 40% equity interest in the Target Company pursuant to the Equity Transfer Agreement
“Company”	Transmit Entertainment Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the Equity Transfer Agreement
“Completion Date”	the date the Sale Interests having been registered under the name of Guangzhou Daide with the relevant administration for industry and commerce bureau

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Interests in the amount of RMB96,000,000
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 10 September 2019 entered into by and among Guangzhou Daide, the Sellers and the Target Company in relation to the Acquisition and the Call Option
“Group”	the Company and its subsidiaries
“Guangzhou Daide”	廣州戴德管理諮詢有限公司 (Guangzhou Daide Management Consultancy Co., Ltd.*), a company established in Guangzhou with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong GAAP”	Generally Accepted Accounting Principles in Hong Kong
“Independent Third Party”	an independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2019
“Profit Guarantee Agreement”	the profit guarantee agreement dated 10 September 2019 entered into by and among Guangzhou Daide, the Sellers and the Target Company, pursuant to which Seller Two and Seller Four agree to provide the profit guarantee in favour of Guangzhou Daide

“Profit Guarantee Period”	the period from 1 September 2019 to 31 December 2022
“RMB”	Renminbi, the lawful currency of China
“Sale Interests”	the equity interest collectively hold by Seller One and Seller Three, representing 60% equity interest in the Target Company as at the date of this announcement
“Sellers”	collectively Seller One, Seller Two, Seller Three and Seller Four
“Seller Four”	上海芸喆企業管理中心（有限合夥）(Shanghai Yunzhe Enterprises Management Center (LLP)*) a limited partnership established in Shanghai, one of the registered shareholders of the Target Company
“Seller One”	陳捷 (Chen Jie*), one of the registered shareholders of the Target Company
“Seller Three”	上海艾播文化傳播有限公司 (Shanghai Aibo Culture Communication Co., Ltd.*), a company established in Shanghai with limited liability, one of the registered shareholders of the Target Company
“Seller Two”	壽瑋達(Shou Weida*), one of the registered shareholders of the Target Company
“Share(s)”	ordinary share(s) having a par value of HK\$0.0025 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Target Company” 聞瀾(上海)文化傳媒有限公司 (Wenlan (Shanghai) Cultural Communication Co., Ltd.*), a company established in Shanghai with limited liability

“%” per cent.

By order of the Board
Transmit Entertainment Limited
Zhang Liang, Johnson
Chairman

Hong Kong, 10 September 2019

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. ZHANG Liang, Johnson (Chairman), Ms. ZHAO Wenzhu and Mr. LEE Hin Kwong, Patrick; and (ii) three independent non-executive directors, namely Mr. WANG Bo, Mr. XIANG Feng and Mr. CHANG Eric Jackson.

* *for identification purpose only*