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華夏文化科技集團  
CA CULTURAL TECHNOLOGY GROUP

## **CA CULTURAL TECHNOLOGY GROUP LIMITED**

**華夏文化科技集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01566)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 50% SHARES IN A SUBSIDIARY**

#### **SHARE SALE AND PURCHASE AGREEMENT**

The Board of the Company is pleased to announce that on 5 March 2020 (after trading hours), the Seller, the Purchaser and Hao Tian Development entered into the Share Sale and Purchase Agreement in relation to 50% of the total issued shares of the Target.

#### **LISTING RULES IMPLICATIONS**

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Exercise of conversion rights of the Convertible Notes will result in the subscription for shares in Hao Tian Development, which may constitute a notifiable transaction under Chapter 14 of the Listing Rules. The Company will comply with the Listing Rules upon exercise of such conversion rights.

## SHARE SALE AND PURCHASE AGREEMENT

The Board of the Company is pleased to announce that on 5 March 2020 (after trading hours), the Seller, the Purchaser and Hao Tian Development entered into the Share Sale and Purchase Agreement in relation to 50% of the total issued shares of the Target.

Below is a summary of the terms of the Share Sale and Purchase Agreement.

Date: 5 March 2020

Parties: Seller: China Animation Holding (BVI) Limited

Purchaser: Hao Tian Media & Culture Company Limited

Issuer of Convertible Notes: Hao Tian Development

Assets to be disposed of: 50% of the issued share capital of the Target

Consideration: HK\$100 million, to be satisfied by Hao Tian Development issuing the Convertible Notes to the Seller.

The consideration was determined with reference to the net assets value of the Target of HK\$199,316,000 as at 25 February 2020 and the business and prospects of the Target.

Conditions precedent: Completion shall be subject to the following conditions precedent:

- (a) completion of the due diligence on the legal, financial, business and operation of the Target and its assets by the Purchaser with satisfactory results in all respects;
- (b) compliance by all parties of all requirements under the Listing Rules in respect of the transactions contemplated in the Share Sale and Purchase Agreement;
- (c) the board of directors and shareholders (if required) of Hao Tian Development resolved to issue the Convertible Notes;
- (d) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares which may be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes; and
- (e) the warranties set out in the Share Sale and Purchase Agreement remain accurate until completion of the Share Sale and Purchase Agreement.

Completion: Completion shall take place within 3 business days after the conditions precedent mentioned above have been fulfilled or waived (to the extent waivable).

Upon completion, the Purchaser and the Seller will enter into a shareholders' agreement to govern their respective rights and obligations and in relation to the business and affairs of the Target. Any subsequent disposal of the 50% shares in the Target by the Purchaser shall be subject to the pre-emptive rights of the other shareholders of the Target under the terms of the shareholders' agreement. The board of the Target will be comprised of two directors, one from each of the Purchaser and the Seller.

Below is a summary of the terms of the Convertible Notes.

Principal amount:	HK\$100,000,000
Interest rate:	Nil
Maturity:	The date falling on the third anniversary of the date of issue of the Convertible Notes.
Conversion right:	Noteholders will have the right to convert the whole or part (in multiples of HK\$10 million) of the outstanding principal amount of the Convertible Notes into fully-paid share of Hao Tian Development of HK\$0.01 per share from the day after the issue of the Convertible Notes up to 4:00 pm on the date falling on the third anniversary of the date of issue of the Convertible Notes.
Limitation of conversion:	<p>No conversion of the Convertible Notes shall be made, if it will, immediately upon such conversion:</p> <ul style="list-style-type: none"><li>(a) result in insufficient public float of the shares of Hao Tian Development; or</li><li>(b) result in Ms. Li Shao Yu, a substantial shareholder of Hao Tian Development, and her associates holding less than 50% of the issued shares of Hao Tian Development. This limitation shall no longer apply in the event that Ms. Li Shao Yu (together with her associates) disposes of any of the shares of Hao Tian Development held by herself or her associates as at the date of issue of the Convertible Notes or the shareholding of herself and her associates is diluted due to issue of new shares by Hao Tian Development (other than the Conversion Shares).</li></ul>
Conversion price:	HK\$0.25 per Conversion Share.
Transferability:	The Convertible Notes are transferable upon giving prior notice to Hao Tian Development. They cannot be transferred to connected persons of Hao Tian Development.

Conversion price adjustment:	<p>Subject to certain exceptions, the conversion price may be adjusted due to:</p> <ul style="list-style-type: none"> <li>(i) consolidation or sub-division of shares of Hao Tian Development;</li> <li>(ii) Hao Tian Development issuing shares credited as fully paid by capitalisation of profits or reserves;</li> <li>(iii) Hao Tian Development making a capital distribution in cash or specie to shareholders or grant shareholders the right to acquire assets of Hao Tian Development or its subsidiaries for cash;</li> <li>(iv) Hao Tian Development offering its shareholders new shares for subscription by way of rights, or granting shareholders any options or warrants to subscribe for new shares, at a price which is less than 80% of the market price of its shares at the date of the announcement of the terms of the offer or grant;</li> <li>(v) Hao Tian Development issuing convertible securities at a consideration below 80% of the market price of its shares at the date of the announcement of the terms of the issue of such convertible securities; or</li> <li>(vi) Hao Tian Development issuing shares at a price per share which is less than 80% of the market price of its shares at the date of the announcement of the terms of such issue.</li> </ul>
Ranking of conversion shares:	All shares allotted under the Convertible Notes shall rank <i>pari passu</i> in all respects with the fully-paid shares in issue of Hao Tian Development on the date the noteholders are registered in Hao Tian Development's register of members.
Early redemption:	Hao Tian Development may redeem all or part of the Convertible Notes by giving written notice to the noteholders at least 10 days in advance.
Events of default:	<p>The noteholders may demand immediate redemption if one of the following events of default take place:</p> <ul style="list-style-type: none"> <li>(i) Hao Tian Development fails to pay any principal amount or interest when due unless non-payment of such amount is due solely to administrative or technical error and payment is made within 14 days of the due date;</li> </ul>

- (ii) Hao Tian Development fails to perform its obligation under the Convertible Notes and such failure is incapable of remedied or is not remedied within 28 days after a noteholder notified Hao Tian Development of such failure;
- (iii) an encumbrancer takes possession, or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of Hao Tian Development or any of its major subsidiaries. Where any such appointment is made in relation to a major subsidiary, the appointment is not discharged within 28 days of it being made;
- (iv) Hao Tian Development or any of its major subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of Hao Tian Development or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of Hao Tian Development or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged or withdrawn within 60 days of it being made) or takes any proceeding under any law for a readjustment or deferment of its respective obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors;
- (v) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of Hao Tian Development or any of its major subsidiaries (and where any such petition, proceeding or order is presented, commenced or made in relation to a major subsidiary, such petition, proceeding or order is not set aside or withdrawn within 60 days of it being filed, commenced or made), except in the case of winding-up of any subsidiaries of Hao Tian Development in the course of internal reorganisation without involving insolvency;
- (vi) a moratorium is agreed or declared in respect of any indebtedness of Hao Tian Development or any of its major subsidiaries (and, in the case of a major subsidiary, is not lifted within 14 days of it being agreed or declared) or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of Hao Tian Development or any of its major subsidiaries; or

- (vii) delisting of the shares of Hao Tian Development on the Stock Exchange or a suspension of trading of such shares on the Stock Exchange for a period of 45 consecutive business days or more.

Assuming the conversion rights attached to the Convertible Notes are exercised in full at the Conversion Price, a maximum of 400,000,000 Conversion Shares will be allotted and issued. The Conversion Shares represent:

- (a) approximately 6.57% of the existing issued share capital of Hao Tian Development; and
- (b) approximately 6.16% of its issued share capital of Hao Tian Development as enlarged by the Conversion Shares.

The conversion price represents:

- (a) a premium of approximately 28.2% over the closing price of the shares of Hao Tian Development on the date of the Share Sale and Purchase Agreement; and
- (b) a premium of approximately 25.5% over the average closing price of the shares of Hao Tian Development for the five trading days immediately before the date of the Share Sale and Purchase Agreement.

## **INFORMATION ABOUT THE PARTIES TO THE TRANSACTION AND THE TARGET**

### **The Group and the Seller**

The Group is a multimedia animation entertainment group in China, with CA SEGA JOYPOLIS under asset-light model featuring animation-derived products trading business as fundamental growth elements, multimedia animation entertainment business (especially Super IP) as sustainable development growth engine, and “5G+VR eSports” as future growth potential. The Seller is a wholly-owned subsidiary of the Company and principally engages in investment holding.

### **Hao Tian Development and the Purchaser**

The Purchaser is a wholly-owned subsidiary of Hao Tian Development.

Based on the best knowledge of the Directors and public information, Hao Tian Development principally engages in money lending, securities investment, provision of commodities and securities brokerage and financial services, asset management, property leasing, rental and trading of construction machinery.

The Seller and the Company are interested in approximately 6.12% of the issued share capital of Hao Tian Development. To the best of the Board’s knowledge, information and belief having made all reasonable enquiry, save as aforesaid, the Purchaser and Hao Tian Development and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **The Target**

The Target is a company newly incorporated on 18 September 2019 and principally engages in multimedia animation entertainment business, with primary focus on the development of licencing business. It currently holds the rights to proceeds and income derived from the intellectual property rights of certain cartoon figures.

According to the unaudited management accounts of the Target prepared according to generally accepted accounting principles in Hong Kong, the loss before and after taxation of the Target from the date of its incorporation to 25 February 2020 was approximately HK\$1,691,000 (unaudited) and the net assets as at 25 February 2020 was approximately HK\$199,316,000 (unaudited).

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Company believes that the subscription of the Convertible Notes is a good opportunity to develop a business relationship with Hao Tian Development and diversify its investment portfolio without affecting its cash flow. The Company believes that the Disposal can realise the value of part of the issued shares of the Target while retaining a proportion of interest in the Target.

To the best knowledge, information and belief of the Directors, the Disposal will record a gain of approximately HK\$88.6 million, based on the difference between the consideration for the Disposal and the relevant share of the historical net book value of the assets of the Target, the calculation of which is based on unaudited financial information and is for information purpose only.

If Hao Tian Development redeems the Convertible Notes, the Company intends to use the proceeds for the development of multimedia animation entertainment business and working capital.

The Board believes that the terms of the transaction are fair and reasonable and in the interests of the Company and the shareholders as a whole.

The Target will cease to be a subsidiary (as defined in the Listing Rules) of the Company and will be accounted as a jointly-controlled entity of the Company following the Disposal and its financial statements will not be consolidated into the financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

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Exercise of conversion rights of the Convertible Notes will result in the subscription for shares in Hao Tian Development, which may constitute a notifiable transaction under Chapter 14 of the Listing Rules. The Company will comply with the Listing Rules upon exercise of such conversion rights.



**Completion is subject to fulfilment, and/or waiver (as the case may be), of certain conditions precedent stated in the Share Sale and Purchase Agreement, and the Disposal may or may not proceed. Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	CA Cultural Technology Group Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 1566)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Convertible Notes”	the zero-coupon convertible notes in the principal amount of HK\$100 million due 2023 to be issued by Hao Tian Development
“Conversion Shares”	ordinary shares of Hao Tian Development issued pursuant to the Convertible Notes
“Disposal”	the disposal of 50% of the issued shares of the Target pursuant to the Share Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hao Tian Development”	Hao Tian Development Group Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 474)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Hao Tian Media & Culture Company Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Hao Tian Development
“Seller”	China Animation Holding (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company



“Share Sale and Purchase Agreement”	the share sale and purchase agreement entered into among the Seller, the Purchaser and Hao Tian Development on 5 March 2020 regarding 50% of the issued shares of the Target
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Target”	Success View Global Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Seller before the Disposal

By order of the Board  
**CA CULTURAL TECHNOLOGY GROUP LIMITED**  
**CHONG Heung Chung Jason**  
*Chairman and Executive Director*

Hong Kong, 5 March 2020

*As of the date of this announcement, the executive Directors are Mr. CHONG Heung Chung Jason, Mr. Ting Ka Fai Jeffrey and Ms. Liu Moxiang, and the independent non-executive Directors are Mr. Ni Zhenliang, Mr. Tsang Wah Kwong and Mr. Hung Muk Ming.*