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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION DISPOSAL OF 50% SHARES IN A SUBSIDIARY

Reference is made to the Company's announcement dated 5 March 2020 (the "**Previous Announcement**") regarding the disposal of 50% of the issued shares of the Target. Unless otherwise stated, capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Previous Announcement.

The Company would like to provide further and updated information regarding the value of the consideration, the net assets value of the Target, the basis of determining the conversion price of HK\$0.25 in the Convertible Notes (the "**Conversion Price**") and the expected gain or loss from the Disposal.

VALUE OF CONSIDERATION

The Board believes that the Convertible Notes is in the interest of the Company and its shareholders as a whole because it offers a chance for the Company to invest in Hao Tian Development if the opportunity arises while maintaining the flexibility of choosing to receive the cash consideration in full. Further, there is other non-monetary benefit for forming a joint venture with Hao Tian Development. Through strengthening the cooperation relationship between the Company and Hao Tian Development, the Company can utilise the business network of Hao Tian Development.

The preliminary fair value of the Convertible Notes is HK\$84,120,103 as at 26 March 2020, i.e. the completion date of the Share Sale and Purchase Agreement (the "**Completion Date**"), subject to adjustment during the audit of the annual financial statement of the Company.

NET ASSETS VALUE OF THE TARGET

The unaudited net assets value of the Target was HK\$22,286,746.75 as at the Completion Date. Such figure represents the value of IP Rights (as defined below) stated at cost of HK\$36,787,000 less depreciation in the consolidated financial statements of the Group.

The unaudited net assets value of the Target as at 25 February 2020 was approximately HK\$199,315,730. Below is a summary of the assets and liabilities of the Target as at 25 February 2020.

| | <i>HK\$</i> <i>(unaudited)</i> |
|---------------------|-----------------------------------|
| Non-current assets | 199,330,950 |
| Current assets | 780 |
| Current liabilities | <u>(16,000)</u> |
| Net assets | <u>199,315,730</u> |

The net assets value of HK\$199,315,730 reflects capitalisation of the assets of the Target after internal reorganisation of the Group with reference to the value of comparable assets in the market. China Animation Group Limited, an indirect wholly-owned subsidiary of the Company and a wholly-owned subsidiary of the Seller, acquired certain intellectual property rights (“**IP Rights**”) in 2012. The value of the IP Rights was re-assessed to be HK\$201,006,000 (*unaudited*) as at 12 February 2020. On the same day, China Animation Group Limited assigned the rights to proceeds and income deriving from the IP Rights to the Target.

BASIS OF DETERMINING THE CONVERSION PRICE

The Conversion Price was arrived at after arm’s length negotiations among the Vendor, the Purchaser and Hao Tian Development taking into account the prospects and financial information of Hao Tian Development, and the non-monetary benefit from the Disposal, i.e. the business network of Hao Tian Development that can enable the Company to explore business opportunities.

Introduction of investors by Hao Tian Development to the Company is beneficial to both the Company and Hao Tian Development because Hao Tian Development is interested in 27,790,000 shares in the Company, representing approximately 3.02% of the total issued share capital of the Company as at 29 February 2020. Since Hao Tian Development is engaged in, inter alia, securities investment, enhancement of the performance of the Company is likely to have a positive effect on the trading price of the shares of the Company, which will in turn benefit the overall investment portfolio of Hao Tian Development in the long run.

Based on the unaudited financial information in the interim report of Hao Tian Development for the six months ended 30 September 2019, its net asset value per share (excluding non-controlling interests) as at 30 September 2019 was higher than the Conversion Price. Although the fair value of the Convertible Notes is lower than 50% of the net assets value of the Target as at 25 February 2020, the Company has the right to redeem the Convertible Notes at its face value, i.e. HK\$100 million, which is higher than 50% of the net assets value of the Target as at 25 February 2020. Therefore the Board believes that the Conversion Price is fair and reasonable and is in the interest of the Company and its shareholders as a whole.

EXPECTED GAIN OR LOSS FROM THE DISPOSAL

The revised expected gain or loss from the Disposal is HK\$72,976,730 (*unaudited*), representing the difference between the fair value of the Convertible Notes (HK\$84,120,103) and 50% of the net asset value of the Target as at the Completion Date. Such figure is subject to audit by the auditors of the Company.

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

Hong Kong, 24 June 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.