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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)

SHARE TRANSACTION

ACQUISITION OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUANCE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that respectively on 8 December 2020 (after trading hours) and 28 December 2020 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the SPA and the Agreement, with the Vendor and the Company. Pursuant to the SPA, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 51% of its equity interest in the Target Company for a Consideration of HK\$44,100,000.00. Such Consideration for the Acquisition had been at first satisfied by the allotment and issuance of the Consideration Bonds by the Company to the Vendor. Pursuant to the Agreement, the Purchaser and the Vendor later conditionally agreed to settle the Consideration by the allotment and issuance of 17,640,000 Consideration Shares by the Company to the Vendor under the General Mandate at the issue price of HK\$2.50, settling the Consideration in replacement of the Consideration Bonds.

Upon completion of the Acquisition by means of the Completion taking place, the Target Company, which owns the IP Rights, representing the utilization rights for four animation productions in the PRC, would be owned as to 51% by the Purchaser (with 3% of the entire issued share capital in the Target Company held for and on behalf of the Vendor), and the Target Company will become an associate of the Group and the accounts of the Target Company will not be consolidated with that of the Group.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. As the Consideration for the Acquisition will be ultimately satisfied in part by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Acquisition is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Agreement, the transactions contemplated thereunder may or may not proceed to Completion and Shareholders and potential investors of the Company should exercise caution when dealing with the Shares.

THE ACQUISITION

The Board is pleased to announce that on 8 December 2020 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, had entered into the SPA with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, being 5,100 shares of the Target Company, representing 51% of its entire issued share capital, for a consideration of HK\$44,100,000.00. Such Consideration for the Acquisition had first been satisfied by the allotment and issuance of the Consideration Bonds by the Company.

A summary of the principal terms of the SPA is set out below.

PART I: THE SPA

Date : 8 December 2020 (after trading hours)

Parties : (1) China Animation Holding (BVI) Limited, a direct wholly-owned subsidiary of the Company, as the Purchaser;

(2) Ms. Li Honghui* (李紅輝), as the Vendor; and

(3) The Company, as the issuer of the Consideration Bonds.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor, as a party to the SPA, is a third party independent of the Company and its connected persons.

Subject Matter (according to the SPA)

Pursuant to the SPA, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares for a consideration of HK\$44,100,000.00, which had been at first settled by the allotment and issuance of the Consideration Bonds by the Company.

Consideration (according to the SPA)

The Consideration for the sale and purchase of the Sale Shares shall be HK\$44,100,000.00, which had then been satisfied in full by the allotment and issuance of the Consideration Bonds by the Company to the Vendor, which was arrived at after arm's length negotiations between the parties to the Agreement with reference to (i) the prevailing equity value of the Sale Shares in the Target Company, taking into account of the value of the IP Rights as the Target Company's asset; and (ii) the Consideration Bonds has an interest rate of 10% per annum.

Accordingly, the Board is of the view that the Consideration and the settlement of the Consideration by the allotment and issuance of the Consideration Bonds are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Completion of the SPA took place on 8 December 2020.

PART II: THE ARRANGEMENT AND THE AGREEMENT

After the completion of the SPA, on 8 December 2020 (after trading hours), the Deed of Undertaking was entered into by the Purchaser and the Vendor, pursuant to which the Purchaser undertook to hold 300 shares of the Target Company, representing 3% of the entire issued share capital in the Target Company, for and on behalf of the Vendor.

Such arrangement allowed the Vendor, the prior sole legal and beneficial owner of the entire issued share capital of the Target Company, to continue participating and advising in the operation of the Target Company, particularly in respect of the utilization of the IP Rights.

Furthermore, on 28 December 2020 (after trading hours), the Purchaser further entered into the Agreement with the Vendor, pursuant to which the Purchaser and the Vendor conditionally agreed to settle the Consideration by Consideration Shares in replacement of the Consideration Bonds. The Consideration for the Acquisition will thus be satisfied by the allotment and issuance of 17,640,000 Consideration Shares by the Company to the Vendor under the General Mandate at the issue price of HK\$2.50.

A summary of the Agreement and details of the Target Company are set out below.

Date : 28 December 2020 (after trading hours)

Parties : (1) China Animation Holding (BVI) Limited, a direct wholly-owned subsidiary of the Company, as the Purchaser;

(2) Ms. Li Honghui* (李紅輝), as the Vendor; and

(3) The Company, as the issuer of the Consideration Bonds.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor, as a party to the Agreement, is a third party independent of the Company and its Connected persons.

Subject Matter (according to the Agreement)

Pursuant to the Agreement, the Purchaser and the Vendor conditionally agreed to settle the Consideration by Consideration Shares in replacement of the Consideration Bonds. Upon Completion, the Target Company, which owns the IP Rights, representing the utilization rights for four animation productions in the PRC, would be owned as to 51% by the Purchaser (with 3% of the entire issued share capital in the target Company held for and on behalf of the Vendor), and the Target Company will become an associate of the Group and the accounts of the Target Company will not be consolidated with that of the Group.

Consideration (according to the Agreement)

While the Consideration for the Acquisition remains unchanged (i.e. HK\$44,100,000.00), the Consideration settled by the Consideration Bonds would be replaced by the allotment and issuance of 17,640,000 Consideration Shares by the Company to the Vendor at the issue price of HK\$2.50, which were agreed between the Purchaser and the Vendor after arm's length negotiations with reference to the (i) the prevailing equity value of the Sale Shares in the Target Company, taking into account of the value of the IP Rights as the Target Company's asset; (ii) the arrangement aforementioned in connection to the Deed of Undertaking; and (iii) the prevailing market conditions. Accordingly, the Board remains of the view that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Consideration Shares

A total of 17,640,000 Consideration Shares will be allotted and issued, representing approximately 1.830% of the existing issued share capital of the Company as at the date of this announcement and approximately 1.797% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

The issue price of HK\$2.50 per Consideration Share represents:

- (i) a premium of approximately 4.60% to the closing price of HK\$2.390 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 3.82% to the average closing price of HK\$2.408 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the Agreement.

The issue price of HK\$2.50 per Consideration Share was arrived at after arm's length negotiation between Purchaser and the Vendor with reference to the considerations set out in the paragraphs headed "Consideration (according to the SPA)" and "Consideration (according to the Agreement)". Accordingly, the Board considers that the issue price is fair and reasonable and the allotment and issuance of the Consideration Shares at such issue price is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 192,812,400 Shares, representing 20% of the issued share capital of the Company as at the date on which the General Mandate was granted. Accordingly, the allotment and issuance of the Consideration Shares is not subject to Shareholders' approval.

The Company will apply 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 and fully paid, will rank *pari passu* in all respects with each other and with the Shares in issue at the time of issuance of the Consideration Shares.

Conditions Precedent

The Completion is conditional upon, among other things, the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Purchaser and the Company having provided board resolutions approving the execution and entry into the Agreement and the transaction contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (iii) all requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the Vendor and the Target Company;
- (iv) all requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the Purchaser (including but not limited to procuring the Company to obtain the necessary approvals or as the case may be, the relevant waiver from the Stock Exchange);
- (v) the Warranties remaining true, accurate and complete in all respects and not misleading in any respect as at this day of the Agreement and up till the date of the Completion;
- (vi) there being no material adverse change to the Target Company's business operations, assets, financial condition, management and legal and regulatory condition; and
- (vii) the Vendor having returned the whole set of Bond Instruments.

In the event that the conditions are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Agreement (other than the provisions in respect of expenses, confidentiality, breach and dispute resolution) shall terminate and the parties shall be released from their obligations under the Agreement save and except for rights and remedies available to the non-defaulting party pursuant to the Agreement in relation to any breach prior to termination.

Reasons for the Change of Manner in Settling the Consideration

The agreement in replacing the Consideration Bonds by allotment and issuance of the Consideration Shares in order to settle the Consideration is arrived at after arm's length negotiations. With the above replacement, the Company intends to lower the gearing ratio of the Group by settling the Consideration by means of equity financing instead of debt financing. Furthermore, by issuing the Consideration Shares in replacement of the Consideration Bonds, it lowers the expenditure in interests to be paid in accordance to the Bond Instruments. Therefore, replacement aforesaid can improve the financial position of the Group, and is thus beneficial to and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is a multimedia animation entertainment group in China, engaged in the business of sales of animation-derived products featuring a wide range of popular third-party owned animation characters, including general plastic toys and food-grade toys. The Group also offers relevant value-added services, including quality control and advice on product design to customers in accordance with their requests.

The Purchaser is a direct wholly-owned subsidiary of the Company and is an investment holding company.

INFORMATION ON THE VENDOR AND TARGET COMPANY

The Vendor is an individual who regularly resides in the PRC and she primarily engaged in the animation industry in the PRC. The Target Company, a company established in the British Virgin Islands with limited liability in February 2020, is principally engaged in the development of licensing business, including the IP Rights and businesses in relation to animation entertainment production.

Financial information of the Target Company

Set out below is the financial information of the Target Company as extracted from the financial statements of the Target Company as provided by the Vendor for the period ended 30 November 2020:

**For the period ended
30 November 2020
(unaudited)
HK\$**

Net asset value	140,000,000.00
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REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon the Completion, the Group will integrate the new animation stipulated under the IP Rights into the operation of the Group, thus further expanding its animation network and continuing to build brand awareness in the PRC. The IP Rights and its utilization allow the Group to further broaden the recognition in terms of animation entertainment in connection to the Group. Such Acquisition will in turn improve the profitability of the Group and strengthen its leading position in the animation industry.

The Directors (including independent non-executive Directors) consider that the transactions under the Agreement are on normal commercial terms, and that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. As the Consideration for the Acquisition will be ultimately satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Acquisition is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Agreement, the transactions contemplated thereunder may or may not proceed to Completion and Shareholders and potential investors of the Company should exercise caution when dealing with the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of 51% of the equity interest of the Target Company by the Purchaser from the Vendor pursuant to the SPA, the Deed of Undertaking and the Agreement;
“Agreement”	the supplemental settlement agreement to the SPA dated 28 December 2020 and entered into between the Purchaser and the Vendor in relation to the Acquisition;
“Board”	the board of Directors;
“Bond Instruments”	the set of bond documents executed by the Company and/or the Vendor, allotted and issued to the Vendor pursuant to the SPA as settlement of the Consideration by the Consideration Bonds, including, inter alia, the bond certificate and the terms and conditions for the Consideration Bonds;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement;
“Company”	CA Cultural Technology Group Limited (華夏文化科技集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2013, the shares of which are listed on the Stock Exchange (stock code: 1566);
“Connected person”	has the meaning ascribed to it in the Listing Rules;

“Consideration”	the amount of HK\$44,100,000.00, which had been at first settled by the allotment and issuance of the Consideration Bonds to the Vendor pursuant to the SPA, and later, in replacement of such Consideration Bonds, the allotment and issuance of the Consideration Shares to the Vendor, in consideration of the Sale Shares;
“Consideration Bonds”	such two-year bonds in the monetary value of HK\$44,100,000.00 allotted and issued by the Company to the Vendor pursuant to the SPA on 8 December 2020, for the settlement of the Consideration, with an interest rate of 10% per annum;
“Consideration Shares”	17,640,000 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Agreement on Completion, for the settlement of the Consideration;
“Deed of Undertaking”	the Deed of Undertaking entered into between the Purchaser and the Vendor on 8 December 2020, pursuant to which an arrangement with the Purchaser holding 300 shares of the Target Company for and on behalf of the Vendor, was made;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 30 September 2020, which allowed the Directors to allot, issue and otherwise deal with up to 192,812,400 Shares, representing 20% of the total number of issued Shares as at the date on which such general mandate was granted;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“IP Rights”	the four Registration Certificates owned by the Target Company in relation to such certificates’ respective animation production, the ownership of which allows utilization of and the dealing with the animation production stipulated therein;
“Last Trading Day”	24 December 2020, being the last trading day of the Shares before the signing of the Agreement;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Long Stop Date”	31 January 2021 or such other date as shall be agreed between the Purchaser and Vendor to the Sale and Purchase Agreement;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchaser”	China Animation Holding (BVI) Limited, a direct wholly-owned subsidiary of the Company;
“Sale Shares”	means 5,100 shares of the Target Company, representing 51% of its entire issued share capital;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“SPA”	the sale and purchase agreement dated 8 December 2020, entered into between the Purchaser and the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, in the consideration of HK\$44,100,000.00;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Lion Run Holdings Limited (獅運控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 19 February 2020 (Company no.: 2031882);
“Warranties”	such warranties contemplated under the Agreement;
“Vendor”	Ms. Li Honghui* (李紅輝), an PRC individual, who is a third party independent of the Company and its Connected persons; and
“%”	per cent.

By order of the Board
CA Cultural Technology Group Limited
Chong Heung Chung Jason
Chairman and Executive Director

Hong Kong, 28 December 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.

* *For identification purposes only*