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 AND CLARIFICATION ANNOUNCEMENT IN RELATION TO DISCLOSABLE TRANSACTION

THE FIRST ACQUISITION

On 15 March 2020 (after trading hours of the Stock Exchange), the First Purchaser, an indirect wholly-owned subsidiary of the Company, had entered into the First SPA with the First Vendor, pursuant to which the First Purchaser has conditionally agreed to acquire and the First Vendor has conditionally agreed to sell the Target Assets, for a consideration of HK$46,159,000.00. Completion of the First Acquisition under the First SPA took place on 20 March 2020.

LISTING RULES IMPLICATIONS

For both Acquisitions, all of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of (i) the First SPA and (ii) the SPA and the Agreement and the transactions contemplated thereunder respectively are, on a standalone basis, less than 5%.

On a standalone basis, the First Acquisition does not constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules and was therefore not subject to any disclosure requirements under the Listing Rules.

As disclosed in the Announcement, 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, even on a standalone basis, 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.

Given (i) the First SPA was entered into between the Group and the First Vendor; and (ii) the SPA and the Agreement were entered into between the Group and the Vendor, and the First Vendor is wholly-owned by the Vendor, the Vendor and the First Vendor are parties connected or otherwise associated to one another, thus pursuant to Rules 14.22 and 14.23 of the Listing Rules, with (i) the First SPA; and (ii) the SPA and the Agreement entered into between the Group and the Vendor Parties within a 12-month period, all transactions respectively contemplated under those agreements shall be considered and be aggregated as one transaction given the counterparties for (i) the First SPA; and (ii) the SPA and the Agreement are connected or otherwise associated, and the subject matter under both Acquisitions are similar (i.e. intellectual property rights).

As the applicable Percentage Ratios (as defined under Rule 14.07 of the Listing Rules) for the Acquisitions in the form of aggregated transactions under (i) the First SPA; and (ii) the SPA and the Agreement, are more than 5% but less than 25%, the Acquisitions under (i) the First SPA; and (ii) the SPA and the Agreement constitute a disclosable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the Announcement dated 28 December 2020 in relation to, amongst others, the Acquisition and the transactions contemplated thereunder.

The Board would like to (i) provide additional information in connection to, amongst others, the First Acquisition and the transactions contemplated thereunder; and (ii) clarify the Acquisition and the transactions contemplated thereunder set out as follows:

THE FIRST ACQUISITION

On 15 March 2020 (after trading hours of the Stock Exchange), the First Purchaser, an indirect wholly-owned subsidiary of the Company, had entered into the First SPA with the First Vendor, pursuant to which the First Purchaser has conditionally agreed to acquire and the First Vendor has conditionally agreed to sell the Target Assets, for a consideration of HK$46,159,000.00.

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

The First Acquisition and the First SPA

Date : 15 March 2020 (after trading hours)

Parties : (1) Animate China Technology Limited, an indirect wholly-owned subsidiary of the Company, as the First Purchaser; and

(2) Dragon King Toys Limited, a company wholly-owned by the Vendor, as the First Vendor.

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

Subject matter under the First SPA

Pursuant to the First SPA, the First Purchaser has conditionally agreed to acquire and the First Vendor has conditionally agreed to sell the Target Assets for a consideration of HK$46,159,000.00, which was then settled by debt assignment, under which, the sum payable to the Group was assigned to the First Vendor by way of debt assignment as the consideration for the Target Assets acquired by the Group. The settlement of such consideration aforesaid by debt assignment took place on 20 March 2020.

Consideration for the First Acquisition under the First SPA

The consideration of the First Acquisition pursuant to the First SPA was arrived after arm's length negotiations between the First Purchaser and the First Vendor on normal commercial terms after taking into account (i) the unaudited net asset value of the Target Assets at the material time; (ii) the prevailing market conditions at the material time; and (iii) the potential revenue to be brought by the gaming applications and the VR games connected to the Target Assets. Accordingly, the Board (including the independent non-executive directors) considers that the terms of the First SPA and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms and in the interests of the Group and the Shareholders as a whole. Completion of the First Acquisition under the First SPA took place on 20 March 2020.

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 First Purchaser is an indirect wholly-owned subsidiary of the Company and is an investment holding company.

INFORMATION ON THE FIRST VENDOR AND THE TARGET ASSETS

The First Vendor is a company incorporated in Hong Kong with limited liability and wholly-owned by the Vendor. It is principally engaged in the operations and businesses connected to gaming applications and their respective intellectual property rights.

The Target Assets cover the intellectual property rights over three gaming applications and VR games owned by the First Vendor. As at 31 December 2019, the unaudited consolidated net asset value for the Target Assets was approximately HK$46,159,000.00. As further elaborated in the section headed "**REASONS FOR AND BENEFIT OF THE ACQUISITIONS**", the incentive for the acquisition of the Target Assets is the potential revenue derived from the gaming applications and the VR games connected to such assets on the online applications under development by the Group. Such Target Assets have not, whether before its acquisition or as at the date of this announcement, generated any revenue or profit.

CLARIFICATION ON THE ACQUISITION

In relation to the Acquisition, in addition to what is set out in the Announcement, the Consideration was also arrived at after arm's length negotiations between the parties to the SPA and the Agreement with reference to the Valuation Report subsequent to the Valuation made by the Independent Valuer, showing the appraised value of 100% equity interest of the Target Company as at 30 November 2020 being estimated to be HK$140,000,000.00.

Since the Valuation was prepared on income approach under the discounted cash flow method, the Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and, accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the Acquisition.

Set out below are the principal assumptions, including commercial assumptions, on which the Valuation has been based:

– there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company and its entire equity interest;

– the conditions in which the business is operated, and which are material to the revenue and the costs of businesses to the Target Company will have no material change;

– the information has been prepared on a reasonable basis after due and careful consideration by the Vendor as the management of the Target Company;

– competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Company and its entire equity interest;

– all licenses and permits that are essential to the operation of the Target Company and its entire equity interest can be obtained and are renewable upon expiry;

- there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported values;

- it is assumed the IP Rights has a definite use of lifetime of twenty (20) years from 1 January 2021 to 31 December 2040, and thus, the financial projection, on which the Valuation is based, is of twenty (20) years;

- the estimated revenue growth rate throughout the financial projection period under the profit forecast in the Valuation is estimated to be 2.50%, and the discount rate is expected to be 17.56%;

- the estimated net profit margin throughout the financial projection period under the profit forecast in the Valuation is estimated to have a range of approximately 59.93% to 77.36% according to Appendix I of this announcement; and

- it is assumed that throughout the financial projection period under the profit forecast in the Valuation, there will be a long-term inflation rate of 2.50%.

The Independent Valuer has also relied on the information provided by the Vendor as the management of the Target Company (including but not limited to the background of the Target Company and its relevant corporate information) in arriving at its opinion of value.

KTC Partners CPA Limited, the reporting accountant of the Company, confirms that they have reviewed the calculations of the discounted cash flow under the income approach upon which the Valuation prepared by the Independent Valuer was based on.

The Board has reviewed the principal assumptions upon which the profit forecast was based on and are of the view that such profit forecast was made after due care and enquiry.

A report from KTC Partners CPA Limited and a letter from the Board are included in the appendices II and III to this announcement pursuant to the requirements under Rules 14.60A and 14.62 of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	**Qualification**
Vincorn Consulting and Appraisal Limited	Independent Professional Valuer
KTC Partners CPA Limited	Certified Public Accountants

As at the date of this announcement, each of the Independent Valuer and KTC Partners CPA Limited does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Independent Valuer and KTC Partners CPA Limited has given and has not withdrawn its consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group comprises of multi-line businesses in the industry connected to multimedia animation entertainment in the PRC. The Group engages in the business of sales and development of animation-derived products featuring a wide range of popular animation characters, including toys of different nature. The Group is also a developer over gaming applications and platforms. Last but not least, the Group operates amusement park and VR theme park, further build up the animation businesses of the Group.

For future expansion and development of businesses of the Group, it has been part of the Group's business plan to development online entertainment and mobile applications. The Group intends to develop such application in which it will act as a platform with all the animation, entertainment, gaming applications, toys and products in connection to the Group's intellectual property rights (whether licensed to utilise or owned by the Group) including the Target Assets and the IP Rights encompassed on such platform, for the users' and consumers' entertainment and purchases. In support of the development of the above platform, the Group has actively sought opportunities in relation to intellectual property rights of gaming applications and animation, and acquired the same, in order to broaden the foundations of the platform with games and diversifying animation characters, thus broadening as well the potential base for clientele on animation entertainment.

On the platform aforementioned, the gaming applications (including but not limited to those under the Target Assets) and the sales of products and toys connected to animation will also be boosted by the element of social media available on such platform given the interaction between (i) online live hosts and key opinion leaders, who will discuss the gaming strategies in those gaming applications and the animation online together with the products featuring such games or animation; and (ii) users and consumers on the platform.

It is part of the Group's business plan to proceed with music animation concerts. The IP Rights, featuring Chinese female animation figures with elements of animation, music and popular culture, will host online music animation concerts in addition to the potential products to be developed and their animation to be promoted on the platform aforementioned. In that way, the IP Rights are not merely integrated into the Group, it promotes the operation of animation of the Group by leading the Group's way to host animation concerts online.

Having considered the above, the Directors are of the view that the Acquisitions and their transactions contemplated thereunder are on normal commercial terms and the Acquisitions are fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole.

LISTING RULES IMPLICATIONS

For both Acquisitions, all of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of (i) the First SPA and (ii) the SPA and the Agreement and the transactions contemplated thereunder respectively are, on a standalone basis, less than 5%.

On a standalone basis, the First Acquisition does not constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules and was therefore not subject to any disclosure requirements under the Listing Rules.

As disclosed in the Announcement, 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, even on a standalone basis, 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.

Given (i) the First SPA was entered into between the Group and the First Vendor; and (ii) the SPA and the Agreement were entered into between the Group and the Vendor, and the First Vendor is wholly-owned by the Vendor, the Vendor and the First Vendor are parties connected or otherwise associated to one another, thus pursuant to Rules 14.22 and 14.23 of the Listing Rules, with (i) the First SPA; and (ii) the SPA and the Agreement entered into between the Group and the Vendor Parties within a 12-month period, all transactions respectively contemplated under those agreements shall be considered and be aggregated as one transaction given the counterparties for (i) the First SPA; and (ii) the SPA and the Agreement are connected or otherwise associated, and the subject matter under both Acquisitions are similar (i.e. intellectual property rights).

As the applicable Percentage Ratios (as defined under Rule 14.07 of the Listing Rules) for the Acquisitions in the form of aggregated transactions under (i) the First SPA; and (ii) the SPA and the Agreement, are more than 5% but less than 25%, the Acquisitions under (i) the First SPA; and (ii) the SPA and the Agreement constitute a disclosable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Whilst the Company should have complied to the above reporting and announcement requirements pursuant to Rules 14.22, 14.23 and 14.34 of the Listing Rules upon such entry into the SPA on 8 December 2020, the Company acknowledges that such requirements have not been complied in a timely manner with inadvertent oversight regarding the nature of the transactions contemplated by the two Acquisitions.

REMEDIAL ACTIONS

The Company acknowledges its responsibility to comply with the above Listing Rules, and would implement the following remedial actions with immediate effect to avoid any occurrence of similar events aforesaid in the future:

(I) The Company will provide an internal guideline under the Listing Rules (including but not limited to that relating to notifiable and connected transactions) for all the Directors as well as its management team in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at early stage, and the aforesaid guidelines will be updated from time to time according to the Stock Exchange's revision;

(II) The Company will arrange more training on regulatory compliance matters relating to notifiable transactions to the Directors, senior management and the responsible staff on a regular basis to reinforce their understanding of and importance of compliance with the Listing Rules;

(III) The Company will also circulate a reporting guideline such that each member of the Group shall report those transactions which may constitute potential notifiable or connected transactions to the office of the Company in Hong Kong for approval prior to the entering into of those transactions;

(IV) The Company will organize a specific committee in the office of the Company in Hong Kong constituting senior management and some of the Directors in order to observe and make timely judgment of the aforementioned transactions in connection to the compliance to relevant provisions of the Listing Rules; and

(V) The Company shall, as and when appropriate and necessary, consult legal advisers and/or other professional adviser before entering into possible notifiable transaction.

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 and the Agreement;
"Acquisitions"	Collectively, the Acquisition and the First Acquisition;
"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;
"Announcement"	the announcement dated 28 December 2020, in relation to, amongst others, the Acquisition and the transactions contemplated thereunder;
"Board"	the board of Directors;
"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);
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement;

"connected person"	has the meaning ascribed to it in the Listing Rules;
"Consideration"	the amount of HK$44,100,000.00, which was 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;
"Director(s)"	the director(s) of the Company;
"First Acquisition"	the acquisition of the Target Assets by the First Purchaser from the First Vendor pursuant to the First SPA;
"First Purchaser"	Animate China Technology Limited, an indirect wholly-owned subsidiary of the Company;
"First SPA"	the sale and purchase agreement dated 15 March 2020, entered into between the First Purchaser and the First Vendor, pursuant to which the First Purchaser has conditionally agreed to acquire and the First Vendor has conditionally agreed to sell the Target Assets, in the consideration of HK$46,159,000.00;
"First Vendor"	Dragon King Toys Limited, a company incorporated in Hong Kong with limited liability, and wholly-owned by the Vendor;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Valuer"	Vincorn Consulting and Appraisal Limited;
"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;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"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 has conditionally agreed to acquire and the Vendor has 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 Assets"	the intellectual property rights in relation to the three gaming applications and VR games;
"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);
"Valuation"	the valuation conducted over the 100% equity interest of the Target Company by the Independent Valuer on 30 November 2020;
"Valuation Report"	the valuation report provided by the Independent Valuer for the Valuation;
"Vendor"	Ms. Li Honghui* (李紅輝), an PRC individual, who is a third party independent of the Company and its Connected persons;

“Vendor Parties”	collectively, the Vendor and the First Vendor; and
“%”	per cent.

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

Hong Kong, 26 February 2021

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*

APPENDIX I – ESTIMATED NET PROFIT MARGIN

Financial Year	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040
Profit Margin (%)	77.36%	73.70%	70.13%	66.65%	63.25%	59.93%	60.18%	60.25%	60.17%	59.93%	59.93%	59.93%	59.93%	59.93%	59.93%	59.93%	59.93%	59.93%	59.93%	59.93%

APPENDIX II – REPORT FROM KTC PARTNERS CPA LIMITED ON THE DISCOUNTED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF LION RUN HOLDINGS LIMITED

The following is the text of a report received from the Company's auditor, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

REPORT ON THE DISCOUNTED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF LION RUN HOLDINGS LIMITED

TO THE BOARD OF DIRECTORS OF CA CULTURAL TECHNOLOGY GROUP LIMITED

We refer to the discounted cash flows on which the business valuation (the "**Valuation**") dated 10 December 2020 prepared by Vincorn Consulting and Appraisal Limited in respect of the appraisal of the fair value of 100% equity interest of Lion Run Holdings Limited (the "**Target Company**") as of 30 November 2020 was based. The Valuation is prepared based on the discounted cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of CA Cultural Technology Group Limited (the "**Directors**") are responsible for the preparation of the discounted cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control For Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted cash flows used in the Valuation. The discounted cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors has properly compiled the discounted cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We reviewed the arithmetical calculations and the compilations of the discounted cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted cash flows relates to the future, actual results are likely to be different from the discounted cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 26 February 2021

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

APPENDIX III – LETTER FROM THE BOARD

26 February 2021
Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square, 8 Connaught Place
Central, Hong Kong

Dear Sir/Madam,

Company	**:**	**CA Cultural Technology Group Limited (the "Company")**
Re	**:**	**Profit Forecast – Confirmation letter under the requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")**

Reference is made to the valuation report dated 10 December 2020 prepared by Vincorn Consulting and Appraisal Limited (the "**Valuer**") in relation to the valuation (the "**Valuation**") over the 100% equity interest Lion Run Holdings Limited as at 30 November 2020. Unless the context otherwise requires, terms defined in the announcement of the Company dated 28 December 2020 shall have the same meanings when used herein.

As the income approach is adopted for the Valuation in respect of the equity value of the IP Rights owned by the aforesaid company, the Valuation constitutes a profit forecast as defined under Rule 14.61 of the Listing Rules and, accordingly, Rules 14.60A and 14.62 of the Listing Rules are applicable. The Board has reviewed the basis and assumptions based on which the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer. We have also considered the report from the reporting accountant of the Company, KTC Partners CPA Limited, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, and after such discussion and reviews, the Board is of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
CA Cultural Technology Group Limited
Chong Heung Chung Jason
Chairman and Executive Director