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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)

INSIDE INFORMATION ANNOUNCEMENT UNUSUAL SHARE PRICE AND TRADING VOLUME MOVEMENTS AND RESUMPTION OF TRADING

Financial Adviser
VEDA | CAPITAL
智略資本

This announcement is made by CA Cultural Technology Group Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

UNUSUAL SHARE PRICE AND TRADING VOLUME MOVEMENTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company has noted the drop in the price and the increase in trading volume of the shares of the Company (the “**Shares**”) on 6 October 2021. To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, the Board confirms that save as the inside information disclosed in this announcement, it is not aware of any reason for such unusual Share price and trading volume movements, or of any information which must be announced to avoid a false market in the Company’s securities, or of any inside information that needs to be disclosed under the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

Subscription of Shares

Reference is made to the announcement of the Company dated 1 September 2021 in respect of, among other things, the share subscription agreement (the “**SSA**”) for the subscription (the “**Subscription**”) of 86,000,000 Shares (the “**Subscription Shares**”) at the price of HK\$2.50 each (the “**Subscription Price**”).

On 29 September 2021, an allotment and issuance of 86,000,000 Subscription Shares has taken place, for which, as requested by ACCP Global Limited (the “**Subscriber**”) on 27 September 2021, the Subscriber would receive the Subscription Shares in two batches, the first batch in 40,000,000 Subscription Shares (the “**First Batch Shares**”), and the second batch in 46,000,000 Subscription Shares (the “**Second Batch Shares**”). Both batches of Subscription Shares had been issued in the name of the Subscriber and first took the form of paper share certificates when retrieved from the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the “**Share Registrar**”) on 29 September 2021.

On 29 September 2021, the First Batch Shares were deposited into the Subscriber’s securities account (the “**WL Account**”) with Well Link Securities Limited (“**Well Link**”) and were correspondingly converted into electronic form. However, the Subscriber had not paid the consideration for the 40,000,000 First Batch Shares at the Subscription Price (i.e. 40,000,000 x HK\$2.50 = HK\$100,000,000) in accordance with the provisions of the SSA despite repetitive requests and demands from the Company (the “**Default in Payment**”).

On 4 October 2021, owing to the Default in Payment, Mr. Chong Heung Chung Jason (“**Mr. Chong**”) expressed the Company’s intention to cancel the Subscription (“**Intention**”) in a meeting held amongst others, Mr. Kwan Kin Man Keith (“**Mr. Kwan**”), the chief financial officer of Well Link, Mr. Chong and Mr. Lau Wang Chi Barry (“**Mr. Lau**”), the sole shareholder and director of the Subscriber. In response to such Intention, Mr. Lau requested during the meeting that the Subscription Shares to be divided into further sub-batches such that the First Batch Shares would be divided into (i) 1st sub-batch of 20,000,000 Subscription Shares, payment for which in the amount of HK\$50,000,000 (“**Sum**”) were agreed to be taken place on 5 October 2021; and (ii) 2nd sub-batch of 20,000,000 Subscription Shares. Furthermore, Mr. Kwan (on behalf of Well Link) had prepared certain forms for Mr. Lau to sign, namely the “Fund Withdrawal Request Form” and the “Settlement Instruction Request Form”, which to the understanding of Mr. Chong, proved the Subscriber’s standing instructions to transfer the Sum to the Company.

On 6 October 2021, the 1st sub-batch of the 20,000,000 Subscription Shares (in electronic form) were transferred from the WL Account to the Subscriber’s securities account of Credit Suisse Securities (Hong Kong) Limited (“**Credit Suisse**”) in the morning, and as advised by Well Link, the payment of the Sum by the Subscriber would be transferred and received by Well Link in the afternoon (between 3:00 p.m. to 5:00 p.m.). As later advised by Well Link, the Sum of HK\$50,000,000 had been received by Well Link (“**Receipt**”) on 6 October 2021 from the Subscriber, but Well Link had allowed the recall of such Sum to Credit Suisse to be taken place without the knowledge of the Company, therefore, the Sum was not received by the Company on 6 October 2021. The time of such Receipt was not provided to the Company.

On 7 October 2021, the Subscriber returned the 1st sub-batch of the 20,000,000 Subscription Shares (in electronic form) to the WL Account. On the same date, as instructed by the Company, the Company's legal adviser issued a letter to the Subscriber for the total outstanding amount of HK\$215,000,000, representing the total consideration pursuant to the SSA in connection to the Subscription Shares (the "**Total Outstanding Sum**"). The Subscriber's legal adviser replied on 8 October 2021, expressing the Subscriber's intention to return the First Batch Shares as the Subscriber did not want to proceed with the Subscription.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the status of the different batches of Subscription Shares is as follows:

- (i) on 26 October 2021, the Subscriber's legal adviser returned the First Batch Shares to the Company's legal adviser in the form of four share certificates (each representing 10,000,000 Subscription Shares). They are all issued in the name of HKSCC Nominees Limited, and are in the physical custody of the Company's legal adviser. Prior to the above, the First Batch Shares had been divided into two sub-batches of the 20,000,000 Subscription Shares detailed as follows:
 - (a) the 1st sub-batch of the 20,000,000 Subscription Shares (in electronic form) had been transferred from the WL Account to the Subscriber's securities account with Credit Suisse on 6 October 2021, and the same was returned to the WL Account on 7 October 2021; and
 - (b) the 2nd sub-batch of the 20,000,000 Subscription Shares (in electronic form) had remained in the WL Account from 29 September 2021 until its return to the Company's legal adviser on 26 October 2021,
- (ii) as the date of this announcement, the Second Batch Shares has been in the form of one share certificate issued in the name of the Subscriber and has remained in the Company's physical custody since 29 September 2021 (i.e. the date when the Subscription Shares were allotted and issued).

In response to news articles reporting that the Subscriber has disposed of and subsequently bought back the First Batch Shares in open market, the Company is not able to ascertain whether the Subscriber and/or Well Link has, either on the market and/or off the market, caused any disposal and acquisition to be taken place in respect of the Shares since 6 October 2021.

As at the date of this announcement, the Company has not received any consideration for the Subscription Shares and correspondingly, the Subscriber has not fulfilled its payment obligations according to the provisions of the SSA. Accordingly, the SSA, as advised by the Company's legal adviser, should have been deemed to be terminated owing to the Subscriber's breach aforementioned (the "**Breach**").

With respect to the Subscription Shares, as advised by the Company's legal adviser as to the laws of the Cayman Islands, the allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the SSA have been authorised, and the Subscription Shares have been validly allotted and issued. Furthermore, the Company has negotiated with the Share Registrar on the cancellation of the Subscription Shares in its entirety (the "**Cancellation**"). It is intended that all the Subscription Shares will be cancelled as permitted under the Listing Rules, the laws of the Cayman Islands, and other relevant regulatory requirements as from time to time applicable.

After discussing with the Company's legal adviser as to the laws of the Cayman Islands, and in view of the Subscription Shares had not been paid, the Company has decided to proceed with the 'Call-and-Forfeiture' procedure (the "**Procedure**") in order to cancel the Subscription Shares. The Procedure may commence regardless of whether the SSA has been terminated, with the Company issuing the 'Call letter' (i.e. a letter seeking the payment of the Total Outstanding Sum) (the "**Call Letter**") to the Subscriber, after the fourteen clear days' notice contemplated in the Call Letter expires, the Company would issue the 'Forfeiture letter' (i.e. a letter expressing the Company's intention to forfeit the Subscription Shares if the Subscriber fails to pay the Total Outstanding Sum) (the "**Forfeiture Letter**") to the Subscriber. After the fourteen clear days' notice contemplated in the Forfeiture Letter expires, with the Board resolutions approving the Cancellation, the Share Registrar shall be authorised to update the register of members of the Company to reflect the Cancellation. No shareholders' meeting will be required for the Cancellation by means of the Procedure.

The Call Letter was issued to the Subscriber by post on 24 November 2021. It is expected that the Subscription Shares can be cancelled under the Procedure by 26 December 2021. The Company will keep its Shareholders and potential investors of the Company informed of any material development in respect of the Cancellation.

Upon the Cancellation, the total issued Shares of the Company would become 985,702,000 Shares. Save and except the Subscription Shares, to the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries and as advised by the Company's legal adviser, there have been 556,594,000 additional Shares allotted and issued since the listing of the Company on 12 March 2015, and for each time Shares were allotted and issued, prior listing approval and approval from the Shareholders had been obtained. For the Subscription Shares, the listing approval was conditional upon the completion of the SSA. With the termination of the SSA, the conditions pursuant to the above conditional listing approval were not fulfilled, and accordingly the listing of the Subscription Shares was not approved.

In view of the Breach, the Company will take all necessary actions in order to protect the interests of the Company and the Shareholders. Furthermore, the Company has engaged legal adviser as to commencing potential legal actions against the Subscriber, Mr. Lau and/or Well Link owing to the events contemplated above and the Breach, with potential claims against those parties for damages, and so far, the Company has done the following to protect the interests of the Company and the Shareholders:

- (i) the Company has issued a demand letter on 7 October 2021 to the Subscriber, demanding, among other things, the payment of the Total Outstanding Sum; however, the Subscriber did not make any payment as at the date of this announcement; therefore, the Company is currently proceeding with the Procedure as mentioned in the sections above;
- (ii) Mr. Chong, an executive Director, has also filed an affirmation into the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “**Court**”) on behalf of the Company, in support of its ex parte application for Mareva injunction against, among other parties, the Subscriber, its ultimate beneficial owner and Well Link, on 11 October 2021. The application for Mareva injunction has been dismissed by the Court; and
- (iii) In connection to the transfer of the Sum and the 1st sub-batch of the 20,000,000 Subscription Shares that had taken place on 6 October 2021 and 7 October 2021 between Well Link and Credit Suisse, letters have been sent to these two securities firms enquiring the details, including without limitations to, the chronology of such transfer made.

The Company will publish further announcement(s) to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company any material developments in connection with the above matter as and when appropriate in accordance with the Listing Rules and the Inside Information Provisions.

Forced Sales

It was noted that approximately 38.25 million Shares (the “**Disposal Shares**”) (representing (i) approximately 3.57% of the entire issued shares capital of the Company as enlarged by the Subscription Shares; or (ii) approximately 3.88% of the entire issued shares capital of the Company with the Subscription Shares cancelled) held by Bright Rise Enterprises Limited (“**Bright Rise**”), which was in turn wholly and beneficially owned by Mr. Chong (an executive Director, chairman of the Board and a substantial Shareholder (as defined in the Listing Rules)), were forced sold on 6 October 2021 (the “**Forced Sales**”). The Disposal Shares were previously pledged as securities in connection to certain margin financing for Bright Rise. Due to the unusual Share price movement on 6 October 2021 (for which the reason behind is unknown to the Board), the market value of the Disposal Shares decreased to an amount lower than the prescribed minimum requirement for loan-to-value ratio with respect to the above margin financing, as a result, the pledgee exercises its right to force sell the Disposal Shares and the Disposal Shares were disposed by the pledgee on the open market.

As at 31 August 2021, Mr. Chong was indirectly and beneficially interested in approximately 296.19 million Shares via Bright Rise, representing (i) approximately 27.64% of the entire issued shares capital of the Company as enlarged by the Subscription Shares; or (ii) approximately 30.05% of the entire issued shares capital of the Company (with the Subscription Shares cancelled). Subsequently and up until 6 October 2021, other than the Forced Sales, Mr. Chong has continuously purchased and sold certain number of Shares (the “**Transactions**”) in the open market through Bright Rise.

Under the cumulative effect of the Transactions and the Forced Sales and as at the date of this announcement, Mr. Chong is indirectly and beneficially interested in approximately 192.37 million Shares via Bright Rise, representing (i) approximately 17.95% of the entire issued shares capital of the Company as enlarged by the Subscription Shares; or (ii) approximately 19.52% of the entire issued shares capital of the Company (with the Subscription Shares cancelled).

Matured liabilities

The maturity date of an unlisted secured guaranteed note issued by the Company in September 2017 to a financial institution (the “**Noteholder**”) with an outstanding amount of approximately HK\$63.8 million (with all such interest to be accrued waived as appropriate), was 25 September 2021 (the “**Total Note Liabilities**”). With respect to the Total Note Liabilities, approximately HK\$3.8 million was interest accrued, due and payable, but it has been waived by the Noteholder. As at the date of this announcement, the Company has repaid the remaining balance of the Total Note Liabilities in the amount of HK\$60 million, with repayment in the amount of HK\$20 million made on 8 November 2021, 23 November 2021 and 6 December 2021 respectively.

Furthermore, certain unlisted unsecured bonds issued by the Company to various individuals and corporations in the principal outstanding amount of approximately HK\$62.70 million with accrued interest in the amount of approximately HK\$11.3 million has become mature. These bonds were issued between June 2017 and October 2020 and matured between June 2020 and October 2021.

The Company has been under negotiations with the noteholder and the bondholders of the above liabilities with the proposal to settle the abovementioned unpaid liabilities during November and December 2021. The abovementioned unpaid liabilities will not cause cross-default of the other liabilities of the Company. The Company has also been in active negotiations and discussions with various investors in respect of new debt financing to repay the abovementioned matured liabilities, the terms of which are expected to be finalised by the end of this year. Further announcement(s) will be made as and when appropriate and in accordance with the Listing Rules.

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, the events contemplated above have had no material impact to the business operation and financial position of the Company and its subsidiaries.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 09:00 a.m. on Thursday, 7 October 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 09:00 a.m. on Thursday, 9 December 2021.

This announcement is made by the order of the Board. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

Shareholders of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 8 December 2021

As at 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.