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## **CULTURECOM HOLDINGS LIMITED**

**文化傳信集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 343)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF ENTIRE EQUITY INTERESTS IN A COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND RESUMPTION OF TRADING**

On 28 May 2021, the Vendors and the Purchaser entered into the Agreement pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the Sale Capital for a total Consideration of HK\$63,000,000, which shall be settled by procuring the Company to issue and allot the Consideration Shares at the Issue Price.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Acquisition are more than 5% but are all less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. A circular containing, among other matters, further details of the Proposed Acquisition and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 28 May 2021 pending the release of this announcement. Application has been made by the Company for resumption of trading in its Shares on the Stock Exchange with effect from 9:00 a.m. on 3 June 2021.

As completion of the Proposed Acquisition is subject to the fulfilment of a number of conditions precedent, the Proposed Acquisition may or may not proceed, Shareholders and potential investors should note that there are risks associated with the Proposed Acquisition and they should consider and assess all the risks carefully. Shareholders and potential investors should exercise caution when dealing the shares of the Company.

## **THE AGREEMENT**

**Date:** 28 May 2021 (as supplemented by the supplemental agreement dated 2 June 2021)

**Parties:** (1) the Purchaser as purchaser

(2) the Vendors as vendors

Vendor A is a company established in the PRC with limited liability and is principally engaged in technology business. Vendor B is a company established in the PRC with limited liability and is principally engaged in education technology business. Both Vendor C and Vendor D are PRC citizens and merchants. For the avoidance of doubt, Mr. Dizon Basilio is one of the five directors of Vendor A. Mr. Dizon Basilio is a substantial Shareholder of the Company and together with his associates (including his spouse, Ms. Chow Lai Wah Livia, an executive Director) are interested in 323,360,112 Shares. Based on public search, the ultimate beneficial owner of Vendor B is Vendor C. To the best of the Company's knowledge, the Vendor A is wholly beneficially owned by 羅定市泗綸庭英教育基金會 (Luoding Silun Tingying Education Fund\*), which is a registered charity fund established in Luoding, Guangdong Province, the PRC and Mr. Dizon Basilio is the legal representative of the charity fund and one of the capital contributors of the charity fund.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, each of the Vendors (together with its ultimate beneficial owner(s) if applicable) are Independent Third Parties.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company. The principal activities of the Purchaser are investment holding.

### **Asset to be acquired**

Pursuant to the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to acquire the Sale Capital, representing 100% of the registered and paid up share capital of the Target Company, a company established in the PRC and is principally engaged in development and sales of artificial intelligence ("AI") hardware and software.

### **Consideration**

The Consideration of HK\$63,000,000 (equivalent to RMB52,500,000) for the sale and purchase of the Sale Capital shall be settled by the Purchaser procuring the Company to allot and issue to the Vendors the Consideration Shares credited as fully paid at the Issue Price at Completion.

Each of the Vendors shall be entitled to the following Consideration Shares upon Completion (which is in proportion to their respective shareholdings in the Target Company):

	<b>Number of Consideration Shares</b>
Vendor A	168,080,000 Consideration Shares
Vendor B	13,370,000 Consideration Shares
Vendor C	5,730,000 Consideration Shares
Vendor D	<u>3,820,000 Consideration Shares</u>
Total	<u><u>191,000,000 Consideration Shares</u></u>

The Consideration was determined with reference to, among others, the net assets value of the Target Company and the registered and paid up capital of the Target Company. The Purchaser as part of its due diligence will obtain an independent valuation report on the Target Company. In the event that the valuation of the Target Company shown in the independent valuation would be significantly lower than the net assets value of the Target Company and the registered and paid up capital of the Target Company, the Company will reassess the Proposed Acquisition and may not proceed with the Proposed Acquisition.

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement. The Directors consider that the terms and conditions of the Proposed Acquisition to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Consideration Shares**

The Consideration Shares will be issued at the Issue Price of approximately HK\$0.33 per Consideration Share, which:

- (i) represents a discount of approximately 25% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Date; and
- (ii) represents a discount of approximately 4.90% to the average closing price of HK\$0.347 per Share for the last five trading days up to and including the Last Trading Date.

When allotted and issued, the Consideration Shares will represent approximately:

- (i) 11.45% of the existing issued share capital of the Company as at the date of this announcement; and

- (ii) 10.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming no other change in the share capital other than the issue and allotment of the Consideration Shares).

The Consideration Shares are to be issued by the Company under the Specific Mandate. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue.

The Issue Price was arrived at after arm's length negotiations between the parties to the Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

### **Revenue Guarantee**

Pursuant to the Agreement, the Vendors guarantee and undertake to the Purchaser that the total revenue from its main operating activities of the Target Company for the two financial years ended 31 March 2023 shall be not less than HK\$70,000,000. In the event that the actual total revenue of the Target Company for the two financial years ended 31 March 2023 shall be less than the guaranteed revenue amount, the Purchaser shall be entitled to request the Vendors and the Vendors shall either (1) repurchase the entire Sale Capital at the cash consideration of HK\$63,000,000; or (2) compensate the Purchaser in cash a sum equivalent to the difference between HK\$63,000,000 and the fair value of the Sale Capital as at that time. The election of compensation method shall be at the discretion of the Purchaser.

The Vendors further undertake that the Target Company shall have sufficient funds for its operations from the date of Completion and ending on 31 March 2023.

As security for the revenue guarantee, the Vendors shall execute share charge(s) to charge the Consideration Shares in favour of the Purchaser, which shall be released upon fulfillment of the revenue guarantee.

The Vendors undertake that other than indebtedness incurred in the ordinary course of business of the Target Company, the Target Company shall have no other indebtedness.

The Vendors further undertake the stability of the core technology team of the Target Company and that the Target Company will continue to hold the AI system and proceed with relevant intellectual property rights registration.

## **Lock-up of Consideration Shares**

The Vendors undertake to and covenant with the Purchaser that each of them will not, within the period commencing on the date of Completion and ending on 31 March 2023, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares or any interests therein or grant any options or rights in respect of any of the Consideration Shares without prior consent from the Purchaser.

## **Conditions**

Completion shall be conditional upon:

- (i) the Vendors, the Purchaser and the Target Company having obtained all necessary consents and approvals in respect of the Proposed Acquisition;
- (ii) there being no breach of warranties or terms of the Agreement in relation to matters, facts or circumstances of the Purchaser, the Vendors or the Target Company;
- (iii) the Stock Exchange having approved the allotment, issue and listing of, and permission to deal in, the Consideration Shares;
- (iv) the Purchaser having obtained from a PRC legal adviser designated by the Purchaser an opinion with respect to the legality of the incorporation and subsistence of the Target Company and matters relating to the Agreement in the form and substance to the satisfaction of the Purchaser;
- (v) the Purchaser having been satisfied with the results of the due diligence review on the Target Company in respect of their assets, liabilities, business operation and affairs, and the issue of a valuation report by an independent valuer designated by the Purchaser on the Target Company in the form and substance to the satisfaction of the Purchaser; and
- (vi) the Shareholders having passed at the SGM all necessary resolution(s) to approve the Proposed Acquisition and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares).

The Purchaser may waive conditions (ii), (iv) and (v) above. The other conditions are incapable of being waived. If the conditions have not been fulfilled (or waived by the Purchaser as the case may be) on or before 31 August 2021, or such later date as the Vendors and the Purchaser may agree, the Agreement shall cease and terminate and neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

## **Completion**

Subject to fulfilment of the conditions precedent, Completion shall take place on the date falling within the third Business Day after the fulfilment (or waiver) of the conditions (or such other date as may be agreed between the Vendors and the Purchaser).

Pursuant to the terms of the Agreement, the Purchaser shall be entitled to assign a wholly owned subsidiary of the Company to take up the Sale Capital.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company established in the PRC in November 2020 with limited liability and is principally engaged in development and sales of AI hardware and software. The Target Company is a technology company focusing on the research and development and the commercial development of Chinese AI language processing, Chinese natural language understanding and Chinese AI underlying technology. Its core technology is Chinese AI language, and it can compile and collate digital voice data, forming an AI language that can understand human language, thereby allowing the machine to understand human language and semantics. The technology can be widely used in numerous areas, including human-computer interaction, semantic recognition, smart e-commerce, online education and smart IoT, providing an indispensable capability of understanding human language in IoT application and promoting the development of IoT industry on a larger scale.

Under the guidance of Mr. Liu Jubo, one of the Vendors and a leader in the information technology sector, the Target Company has made a breakthrough in the traditional AI structure built on big database and developed the human-machine interactive AI language operating system known as “Imitation Brain Intelligent Operating System” which can cover all AI scenarios.

The Target Company established the Imitation Brain IoT Alliance in compliance with the low-power IoT standards (ALLGO). Currently, the Alliance has 500+ partners, 18,500+ application developers, 100,000+ smart application scenarios and 2,000,000+ connected devices. The IoT intelligent operating system of the Target Company has accessed over 2 million IoT devices of the Alliance through AI voice services.

Mr. Liu Jubo, the chairman of Imitation Brain Technology and one of the Vendors, is a renowned expert in the field of digital technology. He is also the secretary general of the China IT Leadership Summit and the e-China Alliances, who plays an extremely important role in the AI sector. Since 2005, e-China Alliances has organised several digital China summits in the United States and China respectively. Since 2009, the Shenzhen Municipal People’s Government and e-China Alliances, as the co-organisers, renamed the original summit as the IT leadership summit. The strategic partners include various industry giants.

To the knowledge of the Company, the Target Company is the sole owner of an AI system, which is also in the course of applying for patent.

The unaudited financial information of the Target Company for the period from its establishment date to 31 December 2020 and for the period of five months ended 31 May 2021 and prepared in accordance with the accounting principles generally accepted in the PRC are as follows:

	<b>For the period from its establishment date to 31 December 2020 RMB</b>	<b>For the period of five months ended 31 May 2021 RMB</b>
Turnover	Nil	945,825
Net profit(loss) before taxation	(6,286)	(278,125)
Net profit(loss) after taxation	(6,286)	(278,125)
Net asset value	49,993,714	49,715,589

## **REASONS FOR THE PROPOSED ACQUISITION**

The Group is principally engaged in digital marketing; publishing and intellectual properties licensing; and retailing and wholesales.

The Directors have been actively seeking and identifying further investment opportunities in order to maximize the return of the Shareholders.

The Group started investing in big data analysis business in around June 2019, and such business has been emerging as the leading core business of the Group.

The Group's revenue from big data analysis business recorded significant growth amid the overall slowdown of business activities under the COVID-19 pandemic. However, the related business of big data analysis was still unable to achieve a turnaround in profit, mainly due to the lack of self-owned platforms and application products.

The Group wishes to extend the Group's big data business to comprehensive end-to-end services through the Imitation Brain Intelligent Operating System with AI as the core technology developed by the Target Company, providing solutions for the current lack of self-owned platforms and application products. The intelligent operating system targets all smart application products and provides Chinese AI voice services with language and semantic understanding capabilities.



The Group is of the view that the current big data business of the Group and the comprehensive AI and IoT business of Imitation Brain Technology can create significant synergy and potential. Mr. Liu Jubo, the chairman of Imitation Brain Technology, can also provide important advice on resource integration and operational strategies for the development of the Group's technology business in China.

The Group expects that the acquisition will help create values for the Shareholders, provide an extended development for the Group's big data business, as well as integrate the technological portfolios of technology, products and platforms, thereby successfully achieving a turn-around.

The Directors believe that there are great potentials in various areas of business in the PRC, including the AI area. The Target Company owns the intellectual property rights of an AI system, which is also in the application for patent. The Directors considers that the artificial intelligence technology of the Target Company will have growth potential and will complement with the technology related business of the Group. In this regard, the Directors are of the opinion that there are growth potentials in the business of the Target Company.

In view of the growing potential of the Target Company, the Directors (including the independent non-executive Directors) expect that the Proposed Acquisition will generate return to the Group and the Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

## EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion (assuming that there is no other change in shareholdings from the date of this announcement to Completion) are summarized as follows:

Name of Shareholders	As at the date of this announcement		Immediately following the Completion	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
Mr. Dizon Basilio and his associates ( <i>Note 1</i> )	323,360,112	19.38%	323,360,112	17.39%
Trinity Gate Limited ( <i>Note 3</i> )	278,000,000	16.66%	278,000,000	14.95%
Mr. Huang Mingguo and Jet Victory Investments Limited ( <i>Note 2</i> )	14,960,000	0.90%	14,960,000	0.80%
Vendor A	—	—	168,080,000	9.04%
Vendor B	—	—	13,370,000	0.72%
Vendor C	—	—	5,730,000	0.31%
Vendor D	—	—	3,820,000	0.21%
Other Shareholders	1,052,336,704	63.06%	1,052,336,704	56.58%
<b>Total:</b>	<b>1,668,656,816</b>	<b>100.00%</b>	<b>1,859,656,816</b>	<b>100.00%</b>



*Note:*

- (1) These 323,360,112 Shares are held by Mr. Dizon Basilio (“**Mr. Dizon**”), Ms. Chow Lai Wah Livia (“**Ms. Chow**”) and L&W Holding Limited (“**L&W**”) as to 18,895,000 Shares, 32,962,800 Shares and 271,502,312 Shares, respectively. L&W is owned as to 65% and 35% by Mr. Dizon and Ms. Chow, respectively. Ms. Chow is the spouse of Mr. Dizon and an executive Director.
- (2) Jet Victory Investments Limited is wholly and beneficially owned by Mr. Huang Mingguo, an executive Director.
- (3) Trinity Gate Limited is the subscriber of the subscription shares as disclosed in the announcement of the Company dated 1 March 2021.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Acquisition are more than 5% but are all less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Consideration Shares will be issued under the Specific Mandate to be sought from the Shareholders at the SGM, which will be convened and held for the purpose of considering and, if thought fit, approving the Specific Mandate by way of poll. To the best belief, information and knowledge of the Directors, after making reasonable enquiries, no Shareholders have a material interest in the Proposed Acquisition and no Shareholders are required to abstain from voting at the SGM.

A circular containing, among other matters, further details of the Proposed Acquisition and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 28 May 2021 pending the release of this announcement. Application has been made by the Company for resumption of trading in its Shares on the Stock Exchange with effect from 9:00 a.m. on 3 June 2021.

## DEFINITIONS

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

“Agreement”	the agreement dated 28 May 2021 (as supplemented by the supplemental agreement dated 2 June 2021) and entered into among the Vendors and the Purchaser in relation to the sale and purchase of the Sale Capital
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Culturecom Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Capital in accordance with the terms and conditions of the Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration to be satisfied by the Purchaser to the Vendors for the sale and purchase of the Sale Capital
“Consideration Shares”	an aggregate of 191,000,000 new Shares to be allotted and issued by the Company to the Vendors at the Issue Price credited as fully paid for the purpose of the settlement of the Consideration
“Director(s)”	the director(s) of the Company
“SGM”	the special general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Specific Mandate for the issue and allotment of the Consideration Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Issue Price”	the issue price of approximately HK\$0.33 for each Consideration Share
“Last Trading Day”	27 May 2021, being the last trading day immediately before the day of the Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of the Sale Capital by the Purchaser subject to and upon the terms and conditions of the Agreement
“Purchaser”	Vanity Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company
“Sale Capital”	the entire registered and paid up capital in amount of RMB50,000,000 of the Target Company, which is legally and beneficially owned by the Vendors
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Specific Mandate”	the specific mandate to be sought and approved by the Shareholders at the SGM for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Imitation Brain Technology”	仿腦科技(深圳)有限公司(Imitation Brain Technology (Shenzhen) Co., Ltd.*), a company incorporated in the PRC with limited liability
“Vendor A”	廣西富川華發科技股份有限公司(Guangxi Fuchuan Huafa Technology Co., Ltd.*), a company incorporated in the PRC with limited liability

“Vendor B”	深圳市群友智能教育科技有限公司 (Shenzhen Qunyou Intelligent Education Technology Co., Ltd.*), a company incorporated in the PRC with limited liability
“Vendor C”	羅偉釗 (Luo Weizhao*)
“Vendor D”	劉鉅波 (Liu Jubo*)
“Vendors”	together the Vendor A, Vendor B, Vendor C and Vendor D
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*For the purpose of this announcement and solely for the purpose of illustration only, all amounts in RMB are translated into HK\$ at an exchange rate of RMB 1: HK\$1.2.*

By order of the Board  
**Culturecom Holdings Limited**  
**Kwan Kin Chung**  
*Managing Director*

Hong Kong, 2 June 2021

*As at the date hereof, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director); Mr. Huang Mingguo, Mr. Kwan Kin Chung and Mr. Yuen Kin (all being Executive Directors); and Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mr. Mung Yat Lik (all being Independent Non-executive Directors).*

\* *for identification purpose only*