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HENGTEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

MAJOR TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES AND UNLISTED WARRANTS UNDER SPECIFIC MANDATE

The Board announces that on 26 October 2020, the Company, the Purchaser (a wholly-owned subsidiary of the Company), and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Sellers conditionally agreed to sell, the Sale Share. The Total Consideration will be satisfied by the allotment and issue of the Consideration Shares and the Warrants. Completion of the Acquisition is conditional upon, among other things, completion of the Reorganisation.

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Consideration Shares and the Warrant Shares upon exercise of the Warrants).

The Board is pleased to announce that on 26 October 2020, the Company, the Purchaser (a wholly-owned subsidiary of the Company), and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Sellers conditionally agreed to sell, the Sale Share, and to assign or procure to assign the Loan to the Purchaser (or the person(s) or entity(ies) designated by the Purchaser) at the Total Consideration of HK\$7,200,000,000, which will be satisfied by the allotment and issue of the Consideration Shares and the Warrants by the Company. Completion of the Acquisition is conditional upon, among other things, completion of the Reorganisation. Upon completion of the Acquisition, the Company will indirectly hold the entire issued share capital of the Target Company.

Set out below are the salient terms of the Sale and Purchase Agreement and the Warrants.

THE SALE AND PURCHASE AGREEMENT

Date: 26 October 2020

Parties: the Company

Purchaser: Power Wave Holdings Limited (力濤控股有限公司), a wholly-owned subsidiary of the Company

Sellers: Mr. Ke Liming (柯利明) and Pumpkin Films Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Sellers and their ultimate beneficial owner (if applicable) is an Independent Third Party.

Asset to be acquired: Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and the Sellers conditionally agreed to (i) sell the Sale Share (together with all rights attached thereto), representing the entire issued share capital of the Target Company as at the date of this announcement and upon completion of the Acquisition, and (ii) assign or procure to assign the Loan, representing all amounts (including all interests due and payable, if any) owing by the Target Group to the Sellers under the relevant loan agreements on or at any time prior to the Completion Date.

Total Consideration: The Total Consideration for the Sale Share and Loan is HK\$7,200,000,000, of which the consideration payable for the Loan shall be equivalent to the outstanding amount of the Loan as at the Completion Date (including all interests due and payable, if any).

The Total Consideration which shall be payable by the Company to the Sellers (or the Sellers' designated nominee(s)) upon Completion includes:

- (i) the Consideration Shares at the Issue Price of HK\$0.30 per Consideration Share; and
- (ii) the Warrants at the initial Warrants Exercise Price of HK\$0.096 per Warrant Share.

The Total Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement, after taking into account, among other things, (i) the historical performance and future business prospect of the Target Group; (ii) the preliminary valuation of the Target Group performed by an independent professional valuer; (iii) other market comparables; and (iv) the benefits to be derived from the Target Group from the Acquisition as described under the section headed "Reasons for and benefits of the Acquisition" in this announcement.

The Sellers agree and undertake that, unless the Purchaser and the Company consent in writing otherwise:

- (i) the Consideration Shares shall be subject to a 12-month lock-up period commencing from the Completion Date;
- (ii) before the Warrants are exercised, the Warrants and any interest or rights therein shall not be transferable; and
- (iii) for avoidance of doubt, the relevant Warrant Shares that may be issued upon exercise of the Warrants shall not be subject to any lock-up period or transferability limitations.

Issue Price:

The Issue Price of HK\$0.30 per Consideration Share represents:

- (i) a discount of approximately 9.09% over the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on 23 October 2020, being the Last Trading Day; and
- (ii) a discount of approximately 9.64% over the average closing price of HK\$0.332 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was arrived at after arm's length negotiation between the parties to the Sale and Purchase Agreement after taking into account the prevailing market price of the Shares. The Directors consider that the Issue Price is fair and reasonable.

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

**Conditions
precedent:**

Completion of the Acquisition is subject to the following conditions (among others) having been fulfilled or waived (as the case may be):

- (1) the passing by the Shareholders at the SGM of the ordinary resolutions to (i) authorise the Directors to issue the Consideration Shares, the Warrants and the Warrant Shares; and (ii) approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to (a) the issue of the Consideration Shares; (b) the issue of the Warrants; and (c) the issue of the Warrant Shares upon exercise of the Warrants Exercise Rights pursuant to the Warrant Instrument;
- (2) the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in, the Consideration Shares and the Warrant Shares;
- (3) completion of due diligence on the Target Group to the satisfaction of the Purchaser;
- (4) the relevant documents in connection with the Reorganisation (including the VIE Contracts) having been duly executed and the Reorganisation having been completed in accordance with the consent and approval of the Purchaser and will not be terminated, cancelled or expired after the Acquisition, such that the Target Company and its subsidiaries can control the Variable Interest Entities and enjoy all the economic benefits generated by their business;
- (5) if required by the Purchaser, completion of any appointments of board members, supervisors, authorised representatives of shareholders, legal representatives and general managers of any members of the Target Group incorporated in the PRC as nominated by the Purchaser and the registration of the aforementioned appointments with the relevant branches of market supervision administration bodies in the PRC;

(6) the delivery to the Purchaser of all consents, approvals and clearances which are necessary or which the Purchaser has been advised that it is desirable to obtain (including from governmental or official authorities) in connection with the execution, delivery and performance of the relevant transaction documents (the “**Transaction Documents**”) and the consummation of the Acquisition.

If any of the conditions has not been satisfied (or, as the case may be, waived by the Purchaser) on or before 1 February 2021 or such later date as the Sellers and the Purchaser may agree, the Sale and Purchase Agreement shall be of no further effect and neither party shall have any obligations and liabilities under the Sale and Purchase Agreement save for any antecedent breaches of the terms thereof.

Completion:

Completion of the Acquisition shall take place on a date to be agreed in writing between the Purchaser and the Sellers after all the conditions of the Sale and Purchase Agreement have been fulfilled or waived, which, in any event, will be the 10th Business Day after all the conditions of the Sale and Purchase Agreement have been fulfilled or waived.

Upon completion of the Acquisition, the Target Group will become indirect wholly-owned subsidiaries of the Company and therefore, the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Target Company, by virtue of the execution of the VIE Contracts by the WFOE with the Variable Interest Entities and the PRC Registered Shareholders upon completion of the Acquisition, can enjoy the economic benefits of the Variable Interest Entities and can control their respective board of directors and members’ voting rights.

THE WARRANTS

Issuer of the Warrants: The Company

Number of Warrants: A total of 18,342,793,070 warrants is proposed to be issued as part of the Total Consideration. The Warrants are divided into three tranches being 6,114,264,356 warrants for tranche 1 (“**Tranche 1 Warrants**”), 6,114,264,357 warrants for tranche 2 (“**Tranche 2 Warrants**”), and 6,114,264,357 warrants for tranche 3 (“**Tranche 3 Warrants**”).

Each of the Warrants confers the holder the right to subscribe for, subject to the terms of the conditions set out in the Warrant Instrument and at any time during the relevant Warrants Exercise Period, one (1) Warrant Share at the Warrants Exercise Price.

Upon full exercise of all Warrants Exercise Rights, a total of 18,342,793,070 Warrant Shares will be issued. The Warrant Shares represent (i) approximately 22.70% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Warrant Shares. Each tranche of the Warrants can be exercised in whole or in part.

Form: The Warrants will be issued upon completion of the Acquisition in registered form. Every holder of the Warrants shall be entitled to a warrant certificate.

Warrants Exercise Price: The Warrants Exercise Price of HK\$0.096 per Warrant Share represents:

- (i) a discount of approximately 70.91% over the closing price of HK\$0.33 per Share quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 71.08% over the average closing price of HK\$0.332 per Share for the five consecutive trading days for the Shares immediately prior to the date of the sale and Purchase Agreement.

The Warrants Exercise Price set out above was determined based on the arm's length negotiations between the Company and the Sellers, taking into account that:

- (i) the issue of the Warrants forms part of the Total Consideration pursuant to the Acquisition to incentivise the Sellers to enter into the Sale and Purchase Agreement and their long-term contribution to the Target Group after completion of the Acquisition;
- (ii) the exercise of the Warrants is subject to the Sellers having achieved certain performance target(s) which will indirectly benefit the Group as a whole;
- (iii) the unaudited financial information of the Company for the six months ended 30 June 2020 which was available to the Board at the time of negotiation;
- (iv) the Board believes that the Company will benefit from new business opportunities that the Sellers may introduce to the Company, considering the Sellers' scope of operations in the PRC, compared to those of the Company; and
- (v) the Acquisition will enable the Company to benefit strategically from the synergies as elaborated under the section headed "Reasons for and Benefits of the Acquisition" for a long period of time.

The Warrants are issued to the Sellers as part of the Total Consideration in order to align the Sellers' interest to the long-term interests of the Company. The Directors consider the contractual conditions, including but not limited to the performance targets and criteria of exercise, are of significant commercial value to the Company and its business. These constitute valuable commercial consideration for the Warrants. As such, the Directors consider that the terms of the Warrants (including the Warrants Exercise Price) are on normal commercial terms, and are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Adjustment events: The Warrants Exercise Price of HK\$0.096 per Warrant Share is subject to customary adjustment events including, amongst others:

- (1) consolidation or subdivision of Shares;
- (2) capitalisation of profits or reserves;
- (3) capital distribution;
- (4) grant of right to acquire for cash assets of the Group;
- (5) rights issue of Shares, options over Shares, or warrants at a price which is less than 80% of the then market price of the Shares; and
- (6) issue of securities convertible into or exchangeable for or carrying rights of subscription for Shares at an effective consideration per Share less than 80% of the then market price of the Shares.

Warrants Exercise Rights:

Each unlisted warrant confers rights to subscribe for one Share at the Warrants Exercise Price during the relevant Warrants Exercise Period in accordance with the terms and conditions set out of the Warrants set out in the Warrant Instruments including the fulfilment of relevant Exercise Conditions for that tranche.

The Warrants Exercise Rights attached to each unlisted warrant shall lapse immediately after the expiry of the Tranche 3 Warrants Exercise Period. All rights under any such Warrants shall cease as of such time, and thereupon the Warrant certificates shall cease to be valid for any purpose whatsoever.

**Warrants Exercise
Period:**

Tranche 1

The six month period commencing on the date when the accounts of the Target Group for FY2021 will be made available to the Company (or such other period as may be agreed between the parties to the Warrant Instrument or as expressly provided for thereunder (“**Tranche 1 Warrants Exercise Period**”).

Tranche 2

The six month period commencing on the date when the accounts of the Target Group for FY2022 will be made available to the Company (or such other period as may be agreed between the parties to the Warrant Instrument or as expressly provided for thereunder (“**Tranche 2 Warrants Exercise Period**”).

Tranche 3

The six months period commencing on the date when the accounts of the Target Group for FY2023 will be made available to the Company (or such other period as may be agreed between the parties to the Warrant Instrument or as expressly provided for thereunder (“**Tranche 3 Warrants Exercise Period**”).

Warrants Exercise Conditions: The Warrants under each tranche by the holder(s) thereof are exercisable in whole or in part at any time on any Business Day in Hong Kong during the relevant Warrants Exercise Period, subject to the fulfilment of each of the following conditions:

Exercise Condition for each tranche:	Tranche 1	Tranche 2	Tranche 3
	the consolidated net profits after income tax of the Target Group as shown in its accounts and determined as such pursuant to the terms and conditions set out in the Warrant Instrument (“ Net Profits ”) for FY2021 equals to or is more than RMB400,000,000. (“ Tranche 1 Warrants Exercise Condition ”)	the Net Profits for FY2022 equals to or is more than RMB 500,000,000 (“ Tranche 2 Warrants Exercise Condition ”)	the Net Profits for FY2023 equals to or is more than RMB 600,000,000 (“ Tranche 3 Warrants Exercise Condition ”)

- (i) If the Tranche 1 Warrants Exercise Condition shall not be satisfied but the Net Profits for FY2021 and FY2022 in aggregate shall exceed RMB900,000,000, then the holder(s) of the Warrants may exercise, during any Business Day in Hong Kong of the Tranche 2 Warrants Exercise Period, all or part of the outstanding Tranche 1 Warrants and the Outstanding Tranche 2 Warrants.

- (ii) If both the Tranche 1 Warrants Exercise Condition and the Tranche 2 Warrants Exercise Condition shall not be satisfied, but the Net Profits for FY2021, FY2022 and FY2023 in aggregate shall exceed RMB1,500,000,000, then the holder(s) of the Warrants may exercise, on a Business Day in Hong Kong during the Tranche 3 Warrants Exercise Period, all or part of the Outstanding Tranche 1 Warrants, the Outstanding Tranche 2 Warrants and the Outstanding Tranche 3 Warrants.
- (iii) Notwithstanding anything provided under paragraphs (i) and (ii) above, if the Tranche 1 Warrants Exercise Condition or/and the Tranche 2 Warrants Exercise Condition shall not be satisfied, but the Net Profits for FY2021, FY2022 and FY2023 in aggregate shall exceed RMB1,200,000,000, then the holder(s) of the Warrants shall be entitled to, on a Business Day in Hong Kong during the Tranche 3 Warrants Exercise Period, exercise such number of any Outstanding Warrants such that the total number of Warrants Shares issued and to be issued under the Warrants to such holder shall be calculated in accordance with the terms and conditions set out in the Warrant Instrument.

**Ranking of the
Warrant Shares:**

The Warrant Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue.

Transferability:

The holder(s) of the Warrants shall not, without prior written consent by the Company, sell, lend, transfer, pledge, mortgage or otherwise dispose (“**Dispose**”) any Warrant or any interest or rights therein, or agree or announce any intention to Dispose any Warrant or any interest or rights therein.

**Voting rights for the
holder(s) of the
Warrants:**

The holder(s) of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder(s) of the Warrants shall not have the right to participate in any distribution and/or offers of further securities made by the Company.

Rights of the holder(s) of the Warrants on the liquidation of the Company:

If the Company is being wound up during the Warrants Exercise Period, all unexercised Warrants Exercise Rights shall lapse at the date of the relevant resolution approving the winding up of the Company, save for in the event of a voluntary winding-up, the holders of the Warrants shall be entitled within two (2) business days prior to the proposed shareholders' meeting approving a resolution to voluntarily wind-up the Company to exercise the Warrants Exercise Rights in accordance with the terms and conditions of the Warrant Instrument.

The Warrant Shares will be issued under the Specific Mandate to be sought at the SGM. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the Warrants Exercise Rights.

It is intended that the entire amount of the proceeds from the issue of the Warrants be used for general corporate purposes. If the Warrants are fully exercised, the proceeds obtained from subscribing the Warrant Shares will be approximately HK\$1,760,908,135.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose, assuming there being no other changes in the share capital of the Company from the date of this announcement up to the Completion Date, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the issuance of the Consideration Shares; and (iii) immediately upon the issuance of the Consideration Shares and the Warrant Shares:

	As at the date of this announcement		Immediately upon the issuance and allotment of the Consideration Shares		Immediately upon the issuance and allotment of the Consideration Shares and the Warrant Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
China Evergrande Group ⁽¹⁾	44,958,001,998	55.64	44,958,001,998	48.68	44,958,001,998	40.62
Tencent Holdings Limited ⁽¹⁾	15,608,572,363	19.32	15,608,572,363	16.90	15,608,572,363	14.10
Director Mr. Ke ⁽²⁾	35,800,000	0.04	35,800,000	0.04	35,800,000	0.03
	—	—	11,543,309,432	12.50	29,886,102,502	27.00
Sub-total	60,602,374,361	75.00	72,145,683,793	78.12	90,488,476,863	81.75
Public	20,200,791,664	25.00	20,200,791,664	21.88	20,200,791,664	18.25
Total	80,803,166,025	100.00	92,346,475,457	100.00	110,689,268,527	100.00

Notes:

1. China Evergrande Group holds the Shares indirectly through Solution Key Holdings Limited, and Tencent Holdings Limited holds the Shares indirectly through Water Lily Investment Limited.
2. The Total Consideration shall be payable by the Company to the Sellers (or the Sellers' designated nominee(s)). Pumpkin Films, one of the Sellers, is an indirect wholly-owned subsidiary of Mr. Ke.

The Company takes note of the public float issue after the issuance of the Consideration Shares and will take appropriate action(s) to maintain the minimum public float of the Company at or before completion of the Acquisition. The Company further notes that pursuant to the terms of the Warrants, the Company will not issue the Warrant Shares if the then minimum public float requirement under the Listing Rules cannot be complied with or that the exercise period of the Warrants shall be extended until the minimum public float requirement has been complied with.

INFORMATION ON THE GROUP

The Company is an investment holding company. Its subsidiaries are principally engaged in the internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products, investment and trading of securities.

INFORMATION REGARDING THE SELLERS, THE TARGET GROUP, THE VARIABLE INTEREST ENTITIES AND THE PRC REGISTERED SHAREHOLDERS

Information on the Sellers

Mr. Ke is an investor and a movie producer, and is also the PRC Beneficial Owner of the Variable Interest Entities. Pumpkin Films is a company incorporated in the Cayman Islands with limited liability and is indirectly wholly-owned by Mr. Ke. Pumpkin Films is a viewing application that provides one-stop high-definition viewing services free of advertisements, which is available both on mobile and television. It is a subscription-based platform that provides genuine and cinematic and television content from around the world.

Information on the Target Group

Based on the information provided by the Sellers, the Target Company is a company incorporated in the British Virgin Islands, Virtual Cinema HK is a company incorporated in Hong Kong, and the WFOE is a company incorporated in the PRC. They are all engaged in investment holding, and each of the Target Company, Virtual Cinema HK and the WFOE has not recorded any profits as it has had no business operation since incorporation. As such, the Target Group has no material assets and liabilities on its accounts as of the date of this announcement.

Information on the Variable Interest Entities

Based on the information provided by the Sellers:

- (1) Jingxiu is established in the PRC with limited liability. As at the date of this announcement, Jingxiu is principally engaged in the business of contents development, production and service provision in the telecommunication industry. The PRC Registered Shareholder of Jingxiu is Mr. Chen Cong.
- (2) Shanghai Ruyi is a company established in the PRC with limited liability. Shanghai Ruyi is principally engaged in the radio television programme production and operation and film distribution. It is an independent whole-industry-chain production company that has its own development, production, and distribution systems, and it is also one of the few dual-product production companies that produces both movies and television series. Major movie productions by Shanghai Ruyi include “So Young” (《致我們終將逝去的青春》), “Old Boys: The Way of the Dragon” (《老男孩猛龍過江》), “Animal World” (《動物世界》) and “City of Rock” (《縫紉機樂隊》); whereas major TV series productions include “All Quiet in Peking” (《北平無戰事》), “Doctor of Traditional Chinese Medicine” (《老中醫》), “Frontier of Love” (《愛情的邊疆》) and “The Legendary Tavern” (《老酒館》). The PRC Registered Shareholder of Shanghai Ruyi is Mr. Ke and Mr. Zhang Guoliang. Key team members looking over the production and development are Mr. Ke, Chen Zhixi and Xi Xiaotang. In particular, Mr. Ke, Chen Zhixi, Xi Xiaotang are main producers of a myriad of cinematic works.
- (3) Beijing Xiaoming is a company established in the PRC on 8 November 2013 with limited liability. Beijing Xiaoming is principally engaged in data processing, technology development, promotion, transfer consulting and service. The PRC Registered Shareholder of Beijing Xiaoming is Mr. Chen Cong and Mr. Qing Gang.

As at the date of this announcement, Jingxiu has entered into (i) an exclusive service agreement under which Jingxiu engages and pays services fees to the WFOE to be an exclusive service provider; (ii) a nominee shareholding agreement, under which Mr. Chen Cong holds 100% equity interest in the registered capital of Jingxiu for and on behalf of Mr. Ke; (iii) an equity pledge agreement under which Mr. Chen Cong has established a pledge over 100% equity interest of Jingxiu for the benefit of the WFOE (the “**Equity Pledge Agreement**”); (iv) a call option agreement, under which Mr. Chen Cong has agreed to, upon the instruction of the WFOE, dispose of all or part of equity interest of Jingxiu to the WFOE or its designated person (the “**Call Option Agreement**”); and (v) a shareholder voting right delegation agreement and a proxy power of attorney, under which Mr. Chen Cong has authorised the WFOE to exercise shareholder voting rights over Jingxiu at the sole discretion of the WFOE (the

“**Shareholder Voting Right Delegation Agreement**”). Mr. Ke is also a party to the Equity Pledge Agreement, the Call Option Agreement and the Shareholder Voting Right Delegation Agreement and proxy power of attorney to acknowledge the arrangements. In order to conform with the relevant Listing Rules and guidance letter issued by the Stock Exchange from time to time, including but not limited to Guidance Letter 77-14, the WFOE shall re-enter into the VIE Contracts with Jingxiu and enter into VIE Contracts with the other remaining Variable Interest Entities. Further disclosures on the VIE Contracts shall be made in the circular to be despatched by the Company.

Collectively, the Variable Interest Entities operate a membership based online streaming platform named “Pumpkin Film Streaming” which is principally engaged in the business of operating online video platforms, including but not limited to uploading, converting, storing and playing back video content on the Internet and over-the-top channels, film and TV series production and related intellectual properties franchising.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Variable Interest Entities and the PRC Registered Shareholders is an Independent Third Party.

Financial information of the Variable Interest Entities

Based on the information provided by the Sellers, set out below is the unaudited combined financial statements of the Variable Interest Entities for the two financial years ended 31 December 2018 and 2019:

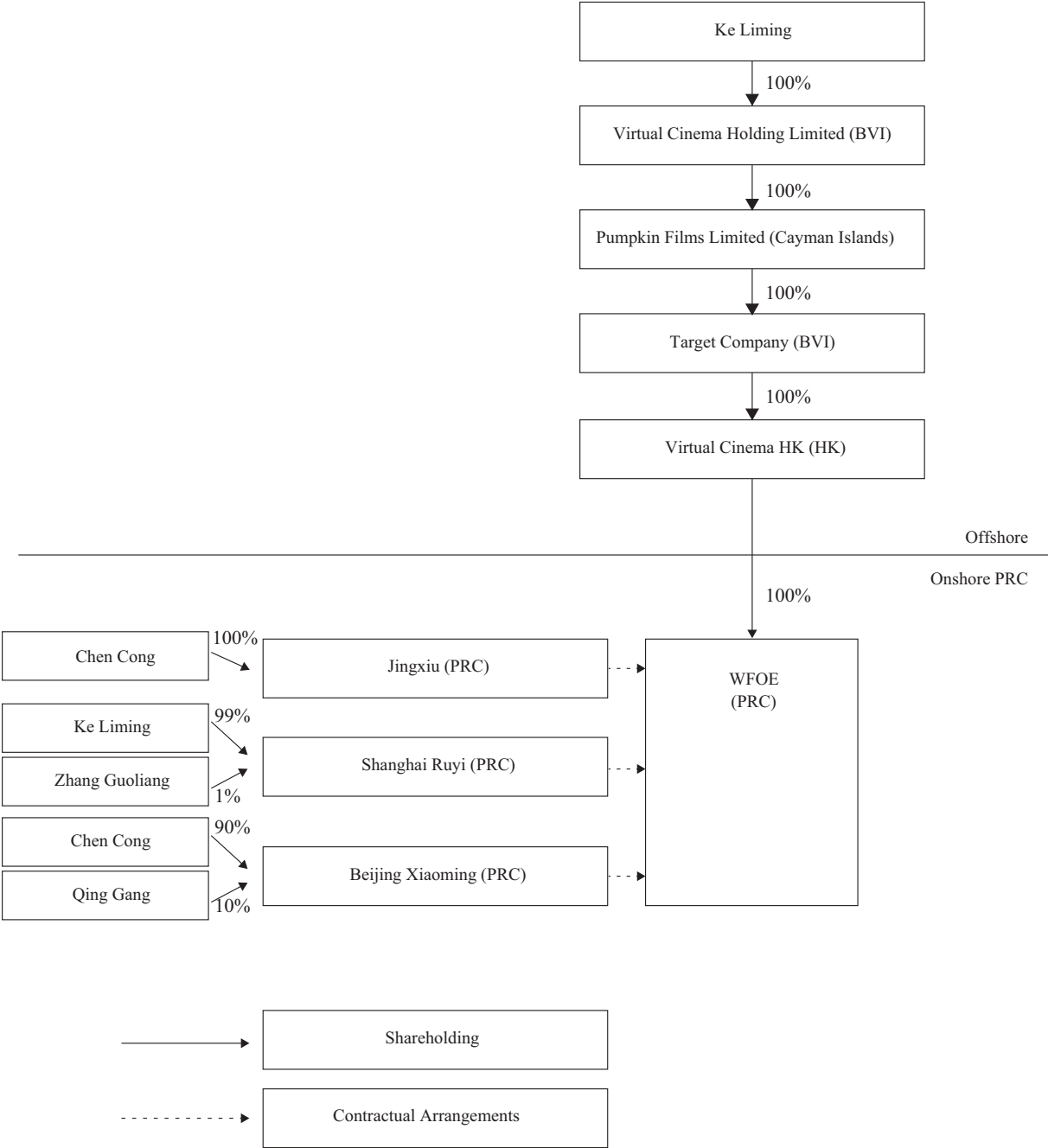
	For the year ended 31 December 2018 (unaudited) (RMB)	For the year ended 31 December 2019 (unaudited) (RMB)
Revenue	168,655,278.85	150,612,544.21
Net profit/(loss) before taxation and extraordinary items	(4,585,026.81)	40,477,122.82
Net profit/(loss) after taxation and extraordinary items	(17,861,742.84)	28,409,298.86

As at 30 June 2020, the combined unaudited net liabilities of the Variable Interest Entities amounted to approximately RMB61,253,277.55.

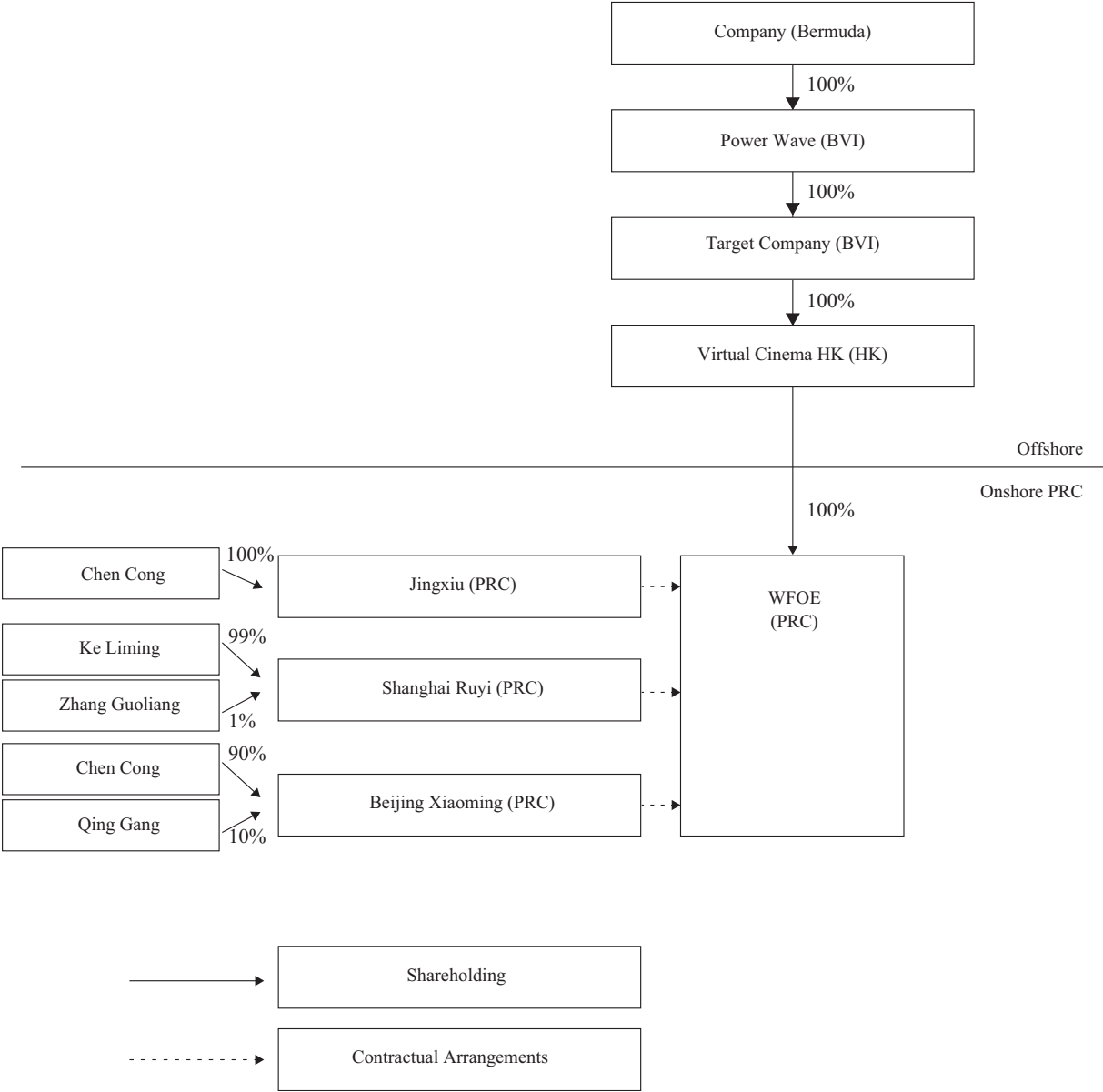
Reorganisation of the Target Group

The Target Group will undergo a reorganisation (the “**Reorganisation**”), pursuant to which, (i) each Variable Interests Entity shall terminate the existing nominee shareholding arrangements with the PRC Registered Shareholders and transfer such relevant interest in the form to the satisfaction of the Purchaser; (ii) the WFOE shall enter into the VIE Contracts with the Variable Interests Entities, the PRC Beneficial Owner, PRC Registered Shareholders and/or person(s) or entity(ies) as designated by the Purchaser in the form to the satisfaction of the Purchaser such that the respective economic benefits, control of the board of directors and member’s voting rights and operations of the Variable Interests Entities will be enjoyed by the Target Company via the WFOE after the Reorganisation; and (iii) the registration(s) of the equity pledge over all the equity interests in the Variable Interests Entities by the then registered owner(s) to the WFOE shall be completed and registered with the relevant branches of the market supervision authority in the PRC. It is expected that, upon completion of the Reorganisation, the Variable Interest Entities will be accounted as subsidiaries of the Target Company by virtue of the arrangement under the VIE Contracts.

Shareholding structure of the Target Group immediately after completion of the Reorganisation but before completion of the Acquisition



Shareholding structure of the Target Group immediately after completion of the Acquisition



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has from time to time been evaluating its business needs and trends, particularly in the internet community, in order to seize business expansion or diversification opportunities. The Company believes that the Acquisition will allow: (i) investment in production of films and television series amid favourable market conditions of the PRC movie market which would enable the Group to expand its business portfolio and expose itself to a wider scope of potential clients, thereby generating more revenue; (ii) the products and marketing activities of the Target Company and its subsidiaries to provide the Group with more advertising channels

which the Directors consider would bring additional revenue and business opportunities to the Group; and (iii) the Group to tap into the development of online streaming platforms and the user base in the PRC, which will lead to user growth for the Group's platforms, and may in turn create synergy with the existing businesses of the Group. The Group will be able to make its projects available to the Target Company and its subsidiaries with resources for advertising placement, joint marketing and cross-industry cooperation, with a view to helping such entities develop its operations. The Board is of the view that the Acquisition will enable the Group and the Target Company and its subsidiaries to each leverage their respective strengths and create synergies.

The Board expects that the Acquisition, together with the existing businesses of the Group, will drive the growth of the Group in the future. The Board considers that the Acquisition, if materialises, will be in the best interests of the Company and its shareholders as a whole.

The issue of the Warrants will not have any immediate impact on the cash flow of the Company and will not result in any immediate dilution of the shareholdings of the existing Shareholders, and, if the Warrants Exercise Rights are exercised, that will benefit the long-term business diversification development of the Company by broadening the capital base of the Company.

The Board considers that the terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties to the Sale and Purchase Agreement. Having considered the above, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company confirmed that it had not conducted any capital fund raising activities during the past twelve months immediately prior to the date of this announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Consideration Shares and the Warrant Shares upon exercise of the Warrants).

The issue of the Consideration Shares and the Warrants are conditional upon (i) the approval from the Shareholders at the SGM; and (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Consideration Shares and the Warrant Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares upon completion of the Acquisition and the Warrant Shares which may fall to be allotted and issued upon exercise of the Warrant Exercise Rights.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Sale and Purchase Agreement (including the allotment and issuance of the Consideration Shares and the Warrant Shares upon exercise of the Warrants). As such, no Shareholder will be required to abstain from voting on the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Any vote exercised by the Shareholders at the SGM shall be taken by way of poll.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the financial information of the Target Group; and (iii) a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 30 November 2020 as additional time will be required to finalise certain financial and general information of the Group to be included in the circular.

Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, capitalised terms in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Sale Share and the Loan by the Purchaser
“Beijing Xiaomi”	Beijing Xiaomi Zhumeng Data Service Co., Ltd* (北京曉明築夢數據服務有限公司), a company incorporated in the PRC with limited liability
“Board”	the board of directors of the Company
“Business Day(s)”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong and the PRC are generally open for business throughout their normal business hours
“Call Option Agreement”	has the meaning ascribed to it under the section headed “Information on the Variable Interest Entities “in this announcement
“Company”	HengTen Networks Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 136)
“Completion Date”	the date on which the Acquisition is completed pursuant to the Sale and Purchase Agreement, which will be agreed in writing between the Purchaser and the Sellers after all the conditions of the Sale and Purchase Agreement have been fulfilled or waived, which, in any event, will be the 10th Business Day after all the conditions of the Sale and Purchase Agreement have been fulfilled or waived
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	11,543,309,432 new Shares which shall be allotted and issued by the Company to satisfy part of the Total Consideration in accordance with the Sale and Purchase Agreement
“Directors”	the director(s) of the Company

“Dispose”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Equity Pledge Agreement”	has the meaning ascribed to it under the section headed “Information on the Variable Interest Entities” in this announcement
“FY2021”	the financial year ending 31 December 2021
“FY2022”	the financial year ending 31 December 2022
“FY2023”	the financial year ending 31 December 2023
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are third party(ies) independent of the Company and its connected persons as defined under the Listing Rules)
“Issue Price”	the issue price of HK\$0.30 per Consideration Share
“Jingxiu”	Shenzhen Jingxiu Network Technology Limited company* (深圳市景秀網絡科技有限公司), a company incorporated in the PRC with limited liability
“Last Trading Day”	23 October 2020, being the last trading day prior to the date of the Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	all amounts (including all interests due and payable, if any) owing by the Target Group to the Sellers and the relevant loan agreements on or at any time prior to the on Completion Date
“Mr. Ke”	Mr. Ke Liming (柯利明)

“Outstanding”	in relation to the Warrants, shall mean all the Warrants issued other than those which have been redeemed or in respect of which Warrant Exercise Rights have been exercised and which have been cancelled in accordance with the terms and conditions of the Warrant Instrument
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Beneficial Owner”	Mr. Ke, the ultimate beneficial owner of the Variable Interests Entities
“PRC Registered Shareholders”	collectively, Mr. Ke, Mr. Chen Cong (陳聰), Mr. Zhang Guoliang (張國良) and Mr. Qing Gang (慶剛), the registered owners of the respective Variable Interests Entity(ies)
“Pumpkin Films”	Pumpkin Films Limited, a company incorporated in the Cayman Islands with limited liability
“Pumpkin Film Streaming”	a membership based online streaming platform operated by the Variable Interest Entities
“Purchaser”	Power Wave Holdings Limited 力濤控股有限公司, a wholly-owned subsidiary of the Company
“Reorganisation”	has the meaning ascribed to it under the section headed “Information regarding the Sellers, the Target Group, the Variable Interest Entities and the PRC Registered Shareholders “in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional Sale and Purchase Agreement in relation to the Acquisition
“Sale Share”	1 share of the Target Company, being the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and up to the completion of the Acquisition, which is legally and beneficially owned by Pumpkin Films
“Sellers”	Mr. Ke and Pumpkin Films

“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares and the issue of Warrant Shares upon exercise of the Warrants)
“Shanghai Ruyi”	Shanghai Ruyi Television Production Co., Ltd* (上海儒意影視制作有限公司), a company incorporated in the PRC with limited liability
“Share(s)”	the ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholders”	the holder(s) of Share(s)
“Shareholder Voting Right Delegation Agreement”	has the meaning ascribed to it under the section headed “Information on the Variable Interest Entities in this announcement
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Shares and Warrant Shares (upon full exercise of the Warrants), which is subject to the approval by the Shareholders voting by way of poll at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Virtual Cinema Entertainment Limited, a company incorporated in the British Virgin Islands, which will indirectly control the Variable Interests Entities through VIE Contracts upon completion of the Reorganisation through the WFOE
“Target Group”	before completion of the Acquisition, refers to the Target Company, Virtual Cinema HK and the WFOE; and after completion of the Acquisition, includes the Target Company’s subsidiaries and the Variable Interest Entities
“Total Consideration”	HK\$7,200,000,000 for the Acquisition which will be satisfied by the allotment and issue of the Consideration Shares and the Warrants

“Tranche 1 Warrants”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 1 Warrants Exercise Period”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 1 Warrants Exercise Condition”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 2 Warrants”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 2 Warrants Exercise Period”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 2 Warrants Exercise Condition”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 3 Warrants”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 3 Warrants Exercise Period”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Tranche 3 Warrants Exercise Condition”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Variable Interest Entities”	collectively, Jingxiu, Beijing Xiaoming and Shanghai Ruyi and their respective branch companies (if any), each a “Variable Interest Entity”
“VIE Contracts”	a series of agreements, confirmations and/or power of attorneys to be executed for the purpose of establishing the variable interest entity arrangement among the Variable Interest Entities, their respective PRC Registered Shareholders, PRC Beneficial Owner and the WFOE pursuant to the Reorganisation
“Virtual Cinema HK”	Virtual Cinema Culture Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Warrants”	the Tranche 1 Warrants, the Tranche 2 Warrants and/or the Tranche 3 Warrants (as the case may be)

“Warrants Exercise Period”	the Tranche 1 Warrants Exercise Period, the Tranche 2 Warrants Exercise Period or the Tranche 3 Warrants Exercise Period (as the case may be)
“Warrants Exercise Price”	an initial exercise price of HK\$0.096 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for The Warrant Shares
“Warrants Exercise Rights”	has the meaning ascribed to it under the section headed “The Warrants” in this announcement
“Warrant Instrument”	the deed poll constituting the Warrants to be executed by the Company upon completion of the Acquisition
“Warrant Shares”	a total of 18,342,793,070 new Shares to be allotted and issued upon exercise of the Warrants Exercise Rights
“WFOE”	Shanghai Muzhou Network Technology Co., Ltd.* (上海沐洲網絡科技有限公司), an indirect subsidiary of the Target Company and a wholly foreign-owned enterprise established in the PRC
“%”	per cent

* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English names of such Chinese names.*

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1=HK\$1.14 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount have been, could have been or may be exchanged.

By order of the Board
HengTen Networks Group Limited
Xu Wen
Chairman

Hong Kong, 26 October 2020

As at the date of this announcement, the executive directors of the Company are Mr. Xu Wen, Mr. Huang Xiangui and Mr. Wan Chao; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin.