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HENG TEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

PROPOSED SHARE CONSOLIDATION AND CLOSURE OF REGISTER OF MEMBERS

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.002 be consolidated into one (1) Consolidated Share.

The Share Consolidation is conditional upon, among other things, the approval of the Shareholders by way of poll at the SGM. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution in relation to the Share Consolidation at the SGM.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve among other things, the Share Consolidation. The Circular containing, among other things, (i) further details of the Share Consolidation; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before Thursday, 31 December 2020.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares be consolidated into one (1) Consolidated Share.

EFFECTS OF THE SHARE CONSOLIDATION

As at the date of this announcement, the authorised share capital of the Company is HK\$2,000,000,000 divided into 1,000,000,000,000 Existing Shares with a par value of HK\$0.002 each, of which 80,803,166,025 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming that no further Existing Shares are issued or repurchased between the date of this announcement and the date of the SGM, immediately after the Share Consolidation, the authorised share capital of the Company shall become HK\$2,000,000,000 divided into 100,000,000,000 Consolidated Shares of par value of HK\$0.02 each, of which 8,080,316,602 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other in accordance with the Company's memorandum of association and bye-laws.

As at the date of this announcement, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into any Existing Shares or Consolidated Shares.

Other than the Acquisition and the Share Consolidation, as at the date of this announcement, the Company has no intention to carry out corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any concrete plan to conduct any fundraising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fundraising exercises when suitable fundraising opportunities arise in order to support future development of the Group.

Effects of the Share Consolidation in relation to the Acquisition

Reference is made to the announcement of the Company dated 26 October 2020 in relation to the Acquisition (the “**Announcement**”). As disclosed in the Announcement, the total consideration of the Acquisition includes 11,543,309,432 Existing Shares at the issue price of HK\$0.30, and 18,342,793,070 warrants (representing 18,342,793,070 Existing Shares in the form of warrant shares and divided into three tranches of 6,114,264,356 warrants for tranche 1, 6,114,264,357 warrants for tranche 2, and 6,114,264,357 warrants for tranche 3) at the warrants exercise price of HK\$0.096. The warrants exercise price is subject to customary adjustment events, including but not limited to a consolidation or subdivision of Shares.

Assuming that the Share Consolidation is effective prior to the completion of the Acquisition, the total consideration of the Acquisition will be adjusted to:

- (a) 1,154,330,943 Consolidated Shares at the issue price of HK\$3.00; and

- (b) 1,834,279,307 warrants divided into three tranches at the warrants exercise price of HK\$0.96 which comprise:
- a. 611,426,435 warrants for tranche 1;
 - b. 611,426,436 warrants for tranche 2; and
 - c. 611,426,436 warrants for tranche 3.

FRACTIONAL ENTITLEMENT TO THE CONSOLIDATED SHARES

Fractional Consolidated Shares, if any, will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of existing share certificates held by such holder.

CONDITIONS AND EXPECTED EFFECTIVE DATE OF THE SHARE CONSOLIDATION

The Share Consolidation is conditional upon the fulfilment of the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders by way of poll to approve the Share Consolidation;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) compliance with the relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be Wednesday, 20 January 2021. As at the date of this announcement, none of the conditions above have been fulfilled.

APPLICATION FOR LISTING OF THE CONSOLIDATED SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS

are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made by the Company for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time of the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

NO CHANGE IN BOARD LOT SIZE

As of the date of this announcement, the Shares are traded on the Stock Exchange in a board lot size of 4,000 Existing Shares. The existing board lot size of 4,000 Shares will remain unchanged upon the Share Consolidation becoming effective. The value of the current board lot, based on the closing price of HK\$0.260 per Existing Share on the date of this announcement, is HK\$1,040. Upon the Share Consolidation becoming effective, the expected value of each board lot of 4,000 Consolidated Shares, based solely on the closing price of HK\$0.260 per Existing Share as at the date of this announcement (equivalent to the theoretical closing price of HK\$2.60 per Consolidated Share as at the date of this announcement), is expected to be HK\$10,400.

The Company considers that increasing its board lot size may not provide any upward adjustment to the Share price of the Company. As a result of the low trading price of the Existing Shares, potential investors are likely to have the impression that the market value of the Company is also low, which makes investing in the Existing Shares less attractive. The Company considers that after completion of the Share Consolidation, the market image of the Company will become more positive, thereby attracting more investors and improving the liquidity of the Shares. Therefore, with a higher trading price of the Consolidated Shares and reduction in the transaction costs as a proportion of the market value of each board lot, the Company believes that the Share Consolidation will enhance the corporate image of the Company and make investing in the Consolidated Shares more attractive to a broader range of institutional and professional investors and other members of the investing public.

ARRANGEMENT ON ODD LOT TRADING AND MATCHING SERVICES

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, a designated broker will be appointed by the Company to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Holder of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the Circular to be despatched to the Shareholders.

EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit share certificates for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for the Existing Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever number of certificates cancelled/issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Thursday, 25 February 2021, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in light blue colour in order to distinguish them from the share certificates for the Existing Shares which are in pink colour.

REASONS FOR AND BENEFITS OF THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Stock Exchange, (i) the market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the date of this announcement, the closing price of each Share is HK\$0.260. With a board lot size of 4,000 Shares, the Company is trading under HK\$2,000 per board lot. For illustration purposes, the average closing price of the Shares from 17 December 2018 to 15 December 2020 has always been less than HK\$0.50 and the highest average closing price during the period from 17 December 2018 to 15 December 2020 was on 14 September 2020 with the average closing price of HK\$0.40. As such, the board lot of the Shares had always been trading under HK\$2,000 from 17 December 2018 to 15 December 2020. In addition, the Shares have traded close to and under extremity from September 2019 to May 2020 with the lowest price being HK\$0.068 per share on 5 May 2020. The Company has always been exploring opportune moments to restore the board lot value to a value greater than HK\$2,000 per board lot to be compliant with the "Guide on Trading Arrangements for Selected Types of Corporate Actions". The Board therefore proposes the Share Consolidation for the purpose of reducing the transaction costs and fees per transaction and increasing the liquidity of the Shares.

The Share Consolidation will increase the par value of the Existing Shares and decrease the total number of Existing Shares currently in issue. As at the date of this announcement, the Company has over 80.8 billion Shares in issue. Based on the statistics shown on the 2019 Fact Book published by the Stock Exchange, among the 50 leading companies in market capitalisation, only 3 companies had more than 80.8 billion Shares in issue. In view of the number of Shares that the Company will issue pursuant

to the Acquisition, the Company proposes to conduct the Share Consolidation based on the proposed ratio of 10:1 such that it can reduce the number of Existing Shares and be convergent with the number of issued shares of other Main Board issuers.

The Share Consolidation will increase the market price of Shares by ten times theoretically upon the Share Consolidation becoming effective and increase the nominal value of the Shares to HK\$0.02 each. The Company proposed the ratio of the consolidation of every ten issued and unissued Existing Shares of HK\$0.002 each into one (1) Consolidated Share of HK\$0.02 each, with the aim to minimise the odd lot effect caused to the Shareholders as a result of the Share Consolidation (if any) as well as not to increase the nominal value of the Shares to a great extent (if any). Given that the board lot will not be changed pursuant to the Share Consolidation, there should not be any significant odd lot effect caused to the Shareholders as a result of the Share Consolidation. In any event, the Company will appoint a designated broker to stand in the market to provide matching services for the sale and purchase of odd lots.

Whilst the Board has considered other ratios of Share Consolidation which will also enable the Group to achieve the trading of each board lot above HK\$2,000, in light of the issuance of Consideration Shares and warrant shares pursuant to the Acquisition, the Board considers the current proposed ratio of 10:1 to be one that can achieve the Board's intention to reduce the number of Existing Shares.

It is expected that the Share Consolidation would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange. The Share Consolidation will reduce the number of new board lots and increase the value of each new board lot. Furthermore, as the theoretical market value of each board lot of the Consolidated Shares upon the Share Consolidation becoming effective will be higher than the market value of each board lot of the Existing Shares, the transaction cost as a proportion of the market value of each board lot will be lower. Typically, transaction fees are charged either per board lot or by trading amount. For transaction fees charged per board lot, transaction costs of dealings in fewer board lots are lower than those for more board lots. For transaction fees charged by trading amount, particularly for those that are subject to a minimum charge, increasing the value of each board lot will save costs for investors. This would in turn maintain the trading amount for each board lot at a reasonable level in order to attract more investors and to extend the shareholder base of the Company. It is hoped that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company. It is also expected that the liquidity in trading of the Existing Shares will increase accordingly.

In view of the above reasons, the Company considers the Share Consolidation to be justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is set out below. The expected timetable is subject to the satisfaction of all the conditions of the Share Consolidation and is therefore for indicative purpose only. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to Hong Kong local times and dates.

Event	Date and time
Expected date of despatch of the Circular with notice and form of proxy of the SGM	Thursday, 31 December 2020
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	Tuesday, 12 January 2021, 4:30 p.m.
Closure of register of members for the entitlement to attend and vote at the SGM	Wednesday, 13 January 2021 to Monday, 18 January 2021 (both days inclusive)
Latest date and time for lodging forms of proxy for the SGM (not less than 48 hours prior to time of the SGM)	Saturday, 16 January 2021, 3:00 p.m.
Expected date and time of the SGM	Monday, 18 January 2021, 3:00 p.m.
Announcement of poll results of the SGM	Monday, 18 January 2021

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:

Effective date of the Share Consolidation	Wednesday, 20 January 2021
First date for free exchange of existing share certificates for new share certificates for Consolidated Shares	Wednesday, 20 January 2021
Commencement of dealings in the Consolidated Shares	Wednesday, 20 January 2021, 9:00 a.m.
Original counter for trading in the Existing Shares in board lots of 4,000 Existing Shares (in the form of existing share certificates) temporarily closes	Wednesday, 20 January 2021, 9:00 a.m.

Event	Date and time
Temporary counter for trading in Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens	Wednesday, 20 January 2021, 9:00 a.m.
Original counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates for Consolidated Shares) re-opens	Wednesday, 3 February 2021, 9:00 a.m.
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	Wednesday, 3 February 2021, 9:00 a.m.
Parallel trading in Consolidated Shares (in the form of new and existing share certificates) begins	Wednesday, 3 February 2021, 9:00 a.m.
Temporary counter for trading in board lot size of 400 Consolidated Shares (in the form of existing share certificates) closes	Thursday, 25 February 2021 4:10 p.m.
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	Thursday, 25 February 2021, 4:10 p.m.
Parallel trading in Consolidated Shares (in the form of new and existing share certificates) ends	Thursday, 25 February 2021, 4:10 p.m.
Last date for free exchange of existing share certificates for new share certificates for Consolidated Shares	Monday, 1 March 2021

WARNING

Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions set out in the paragraph headed “CONDITIONS AND EXPECTED EFFECTIVE DATE OF THE SHARE CONSOLIDATION”. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 January 2021 to Monday, 18 January 2021 (both days inclusive) during which period no transfer of Shares will be registered. For more information regarding the SGM, please refer to the tentative timetable as set out in this announcement.

Further details regarding the notice of the SGM and the final timetable shall be contained in the Circular to be issued and despatched by the Company.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution in relation to the Share Consolidation at the SGM. The Circular containing, among other things, (i) further details of the Share Consolidation; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before Thursday, 31 December 2020.

DEFINITIONS

“Acquisition”	the acquisition of the entire issued share capital of Virtual Cinema Entertainment Limited, a company incorporated in the British Virgin Islands, and all amounts (including all interests due and payable, if any) owing by Virtual Cinema Entertainment Limited and its subsidiaries to Mr. Ke Liming (柯利明) and Pumpkin Films Limited
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“Circular”	the circular of the Company to be despatched to the Shareholders to provide, among other things, (i) further details regarding the Share Consolidation; and (ii) a notice convening the SGM, which shall also contain the information on the Acquisition
“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)

“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.02 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.002 each in the share capital of the Company before the Share Consolidation becoming effective
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SGM”	the special general meeting of the Company to be convened for the purpose of, among other things, considering and, if thought fit, approving the Share Consolidation
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed share consolidation on the basis that every ten (10) issued and unissued Existing Shares be consolidated into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 29 December 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.

** For identification purposes only*