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KIRIN GROUP HOLDINGS LIMITED
麒麟集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8109)

DISCLOSEABLE TRANSACTION
IN RELATION TO THE SUBSCRIPTION OF SHARES IN
M-SHINE MOVIES (ASIA) LIMITED

THE SUBSCRIPTION AGREEMENT

The Board wishes to announce that on 22 March 2021 (after trading hours of the Stock Exchange), the Subscriber, a wholly-owned subsidiary of the Company, as subscriber, the Target Company, as issuer, and the Guarantors, as guarantors to the Target Company, entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue, the Subscription Shares, representing 60% of the issued share capital of the Target Company as enlarged by the allotment and issue of the Subscription Shares, at the aggregate Subscription Price of HK\$3,000,000.

The Target Company is a company incorporated in Hong Kong with limited liability. The principal activities of the Target Group are provision of entertainment services to the internet platforms and MCN businesses and organising cultural activities in the PRC. The Target Company possesses copyrights of various movies and TV episodes in the PRC.

Under the Subscription Agreement, the Put Option is also granted to the Subscriber by the Guarantors and shall become exercisable upon the non-fulfillment of the Profit Guarantee. Upon exercise of the Put Option, the Subscriber shall be entitled to require the Guarantors to purchase in cash (i) the Subscription Shares at the Subscription Price; and (ii) all obligations, indebtedness or liabilities due by the Target Group to the Company and its subsidiaries (including the Subscriber) on the date of exercise of the Put Option, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on such date, on a dollar-for-dollar basis.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Subscription is more than 5% but less than 25%, the entering into of the Subscription Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Subscription Agreement. The Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

Reference are made to the announcements of the Company dated 25 March 2020, 18 September 2020 and 31 December 2020, respectively, in relation to, among other things, the entering into of the MOU in respect of the possible subscription of shares in the Target Company by the Subscriber.

The Board wishes to announce that on 22 March 2021 (after trading hours of the Stock Exchange), the Subscriber, the Target Company and the Guarantors entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue, the Subscription Shares, representing 60% of the issued share capital of the Target Company as enlarged by the allotment and issue of the Subscription Shares, at the aggregate Subscription Price of HK\$3,000,000.

Principal terms of the Subscription Agreement are set forth below:

THE SUBSCRIPTION AGREEMENT

Date:

22 March 2021

Parties:

- Subscriber: (i) Ample Gaint Investment Limited, a wholly-owned subsidiary of the Company;
- Target Company: (ii) M-Shine Movies (Asia) Limited;
- Guarantors: (iii) Ms. Wang; and
- (iv) Ms. Tin.

As at the date of this announcement, the entire issued share capital of the Target Company is owned as to 70% by Ms. Wang and 30% by Ms. Tin. Ms. Wang and Ms. Tin have agreed (i) to guarantee the due and punctual performance of the Target Company of its obligations under the Subscription Agreement; and (ii) to provide the certain warranties, representations, undertakings and indemnities in relation to the Target Company and the transactions contemplated under the Subscription Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Target Company and the Guarantors is an Independent Third Party.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue, the Subscription Shares, namely 150,000 shares in the ordinary share capital of the Target Company, representing 60% of the issued share capital of the Target Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects among themselves and with all the shares of the Target Company in issue on the date of allotment and issue of the Subscription Shares.

The Target Company is a company incorporated in Hong Kong with limited liability which, together its subsidiaries, are principally engaged in the provision of entertainment services to the internet platforms and multi-channel network (“MCN”) businesses and organizing cultural activities in the PRC. Further details of the Target Group are set out in the section headed “Information of the Target Group” in this announcement.

The Subscription Price

The aggregate Subscription Price for the Subscription Shares shall be HK\$3,000,000, representing a subscription price of HK\$20 for each Subscription Share, and shall be paid by the Subscriber to the Target Company in cash in full upon Completion.

The Target Company has undertaken in the Subscription Agreement that the Subscription Price will be used as general working capital of the Target Group.

The Subscription Price was determined on normal commercial terms and after arm’s length negotiations among the parties to the Subscription Agreement having taken into consideration of various factors, including (i) the reasons for and benefits of the Subscription as mentioned in the section headed “Reasons for and benefits of the Subscription” in this announcement; (ii) the Profit Guarantee (as defined below) as set out under the section headed “Profit Guarantee” below; and (iii) the future prospects of the Target Group.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of each of the following conditions:

- (1) the Subscriber being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group as it may reasonably consider appropriate;
- (2) all necessary consents and approvals required to be obtained on the part of the Target Company in respect of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares) having been obtained and remain in full force and effect;
- (3) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the subscription of the Subscription Shares) having been obtained and remain in full force and effect;

- (4) the representations, undertakings and warranties made by or on behalf of the Target Company and/or the Guarantors under the Subscription Agreement remaining true, accurate and not misleading, and there being no situations, facts or circumstances relating to the Target Company and/or the Target Group that would or might render such representations, undertakings and warranties and the terms of the Subscription Agreement being breached;
- (5) the obtaining of a PRC legal opinion (in the form and substance satisfactory to the Subscriber) from a PRC legal counsel in relation to, among other things, the Subscription Agreement and the matters relating to the Target Group; and
- (6) the Subscriber having reasonably satisfied that there has not been any material adverse change on the Target Group since the date of the Subscription Agreement.

The Subscriber may at any time waive in writing any conditions set out above except paragraphs (2) and (3).

If any of the above conditions has not been fulfilled (or, as the case may be, waived by the Subscriber) at or before 12:00 noon on 30 April 2021 or such later date as the Subscriber and the Target Company may agree, the Subscription Agreement shall cease and determine (save and except those provisions dealing with confidentiality, notices, costs, governing law and jurisdiction and joint and several liabilities of the Guarantors which shall continue to have full force and effect) and neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on a day falling the second Business Day after the date on which all the conditions set out under the Subscription Agreement have been fulfilled (or waived, as the case may be) (or such other date as may be agreed in writing by the Subscriber and the Target Company).

Upon Completion, the Group will own approximately 60% of the issued share capital of the Target Company and the Target Company will become a non-wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into those of the Group.

PROFIT GUARANTEE

Under the Subscription Agreement, each of the Target Company and the Guarantors has jointly and severally and irrevocably guaranteed and covenanted to the Subscriber that the audited consolidated net profit before taxation and extraordinary items of the Target Company (the “**Actual Profit**”), based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards and to be audited by an accounting firm (the “**Auditor**”) approved by the Subscriber, for the period of 12 months after the date of Completion (the “**Relevant Period**”) shall be not less than HK\$5,000,000 (the “**Profit Guarantee**”).

As security for the performance of the Profit Guarantee, the Put Option is granted by the Guarantors in favour of the Subscriber which shall become exercisable upon the non-fulfillment of the Profit Guarantee. Further details of the Put Option are set out in the section headed “Put Option” in this announcement.

The Subscriber, the Guarantors and the Target Company shall procure that the audited consolidated financial statements of the Target Company for the Relevant Period shall be prepared and reported on by the Auditor by the date falling three months after the expiry of the Relevant Period, and the Auditor shall issue a certificate (the “**Guarantee Certificate**”) to certify the amount of the Actual Profit. The Guarantee Certificate shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the parties to the Subscription Agreement.

PUT OPTION

Pursuant to the Subscription Agreement, the Guarantors have undertaken and irrevocably granted the right (the “**Put Option**”) to the Subscriber to require the Guarantors to purchase in proportion to their shareholding interests in the Target Company immediately before Completion in cash (i) the entire Subscription Shares (the “**Option Shares**”) from the Subscriber at the Subscription Price; and (ii) all obligations, indebtedness or liabilities due by the Target Group to the Company and its subsidiaries (including the Subscriber) on the date of exercise of the Put Option, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on such date (the “**Option Debt**”), on a dollar-for-dollar basis. The date of exercise of the Put Option (the “**Exercise Date**”) refers to the date of issue of the exercise notice of the Put Option by the Subscriber to the Guarantors.

The Put Option shall be exercisable in case the Actual Profit for the Relevant Period as shown in the Guarantee Certificate is less than HK\$5,000,000 during the exercise period (being the period of ninety (90) Business Days from the date of receipt of the Guarantee Certificate by the Subscriber), on the condition that all necessary consents and approvals by the Subscriber having been obtained, and the GEM Listing Rules and all other applicable laws, rules and regulations having been complied with in full, for the exercise of the Put Option. The Guarantors shall complete the purchase of the Option Shares and the Option Debt within thirty (30) Business Days from the Exercise Date or on the second Business Day after the aforementioned condition is fulfilled (whichever is the later)(or such longer period as the Subscriber and the Guarantors may agree in writing).

It is also agreed in the Subscription Agreement that the Target Company and the Guarantors will ensure the Subscriber, the Company and their associates to be released from all guarantee or obligations (if any) in relation to the Target Group at the time of exercise of the Put Option by the Subscriber and irrevocably undertakes to indemnify the Subscriber, the Company and their associates for any losses if such guarantee or obligations in relation to the Target Group could not be released. For the avoidance of doubt, notwithstanding the exercise and completion of the Put Option, the Subscriber or its nominee shall be entitled to the income generated by the Target Group for the period immediately after Completion and before the Exercise Date free from any encumbrances to be distributed or paid to the Group legally, including but not limited to by way of dividends and/or service fee.

The Put Option shall lapse on the date of receipt of the Guarantee Certificate by the Subscriber if the Actual Profit as shown in the Guarantee Certificate is more than or equals to HK\$5,000,000.

The purpose of the Put Option is to afford the Company an opportunity to restore its position to the state immediately before the Subscription as much as possible in order to protect the interests of the Group.

The exercise of the Put Option is at the discretion of the Subscriber. According to Rule 19.75(1) of the GEM Listing Rules, only the premium will be taken into consideration for the purposes of transaction classification at the time of the grant of the Put Option to the Subscriber. As no premium was paid by the Subscriber in acquiring the Put Option from the Guarantors, the acquisition of the Put Option by the Purchaser does not constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The Company will comply with the applicable notifiable transaction requirements under the GEM Listing Rules if the Subscriber intends to exercise the Put Option, as appropriate. Further announcement will be made by the Company in relation to the Profit Guarantee and/or the exercise of the Put Option as and when appropriate in compliance with the GEM Listing Rules.

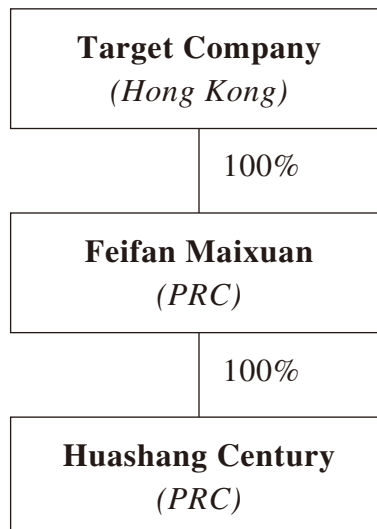
INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and the principal activities of the Target Company and its subsidiaries are the provision of entertainment services to the internet platforms and MCN businesses and organising cultural activities in the PRC. The Target Company possesses copyrights of various movies and TV episodes in the PRC.

The Target Company legally and beneficially owns the entire registered capital of Feifan Maixuan, which is a company established under the laws of the PRC on 26 April 2019.

Feifan Maixuan in turn legally and beneficially owns the entire registered capital of Huashang Century which is a company established under the laws of the PRC on 10 December 2014.

Set out below is a diagram showing the group structure of the Target Group as at the date of this announcement:



FINANCIAL INFORMATION OF THE TARGET GROUP

The following table summarises the unaudited consolidated financial results of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for each of the two financial years ended 31 December 2020: R14.58(7)

	For the year ended 31 December 2020	For the year ended 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation	1,618	(352)
Profit/(loss) after taxation	1,560	(352)

Based on the unaudited consolidated management accounts of the Target Group made up to 31 December 2020 prepared in accordance with the Hong Kong Financial Reporting Standards, the unaudited consolidated net assets value of the Target Group as at 31 December 2020 was approximately HK\$1,370,000. R14.58(6)

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION R14.58(8)

The Group is principally engaged in provision of insurance brokerage service, assets management and securities brokerage service, and money lending service. R14.58(2)

As mentioned in the quarterly report of the Company for the fifteen months ended 30 September 2020, Hong Kong's economy has entered into a negative economic growth cycle which arises from the Sino-US trade disputes and the political unrest in Hong Kong since June 2019. In addition, with the continuous COVID-19 pandemic in Hong Kong since early 2020, the Group expects that Hong Kong's economy will further deteriorate and worsen. As the Group's principal business activities are geographically focused in Hong Kong, these unfavourable conditions would inevitably bring negative impacts to the Group's business. Hence, the Group expects the growth of the Group will lose its momentum. In view of the difficulties facing ahead, the management of the Group will strive to look for new business and investment opportunities in order to migrate its geographical risks and diversify its business risks.

As announced by the Company on 13 January 2020, a strategic cooperation framework agreement was entered into by the Group with an Independent Third Party for the use of the copyright of "I am Jackie Chan" Musical Youth Edition, and allowing the Subscriber to promote and perform the "I am Jackie Chan" Musical Youth Edition with third parties in the PRC, including Hong Kong, Macau and Taiwan. The Directors consider that this strategic cooperation would help the Group to broaden the sources of customers for insurance brokerage and securities brokerage businesses, and would also give the Company an opportunity to broaden its source of income.

The Board also sees that, with the advance development and extensive use of internet services, internet entertainment is one of the trendiest and most popular entertainment channels in the world. The Directors are of the view that there is great potential in the internet entertainment business in the global market and which will provide driving force for the continual growth of the Group. As announced by the Company on 4 March 2021, three framework agreements were entered into by an indirect wholly-owned subsidiary of the Company (the “Licensee”) as licensee with three Independent Third Parties respectively for the grant of overseas broadcasting licenses to the Licensee to broadcast and distribute films and episodes on different media streaming platforms in all other countries and regions other than the PRC, Hong Kong, Macau and Taiwan. The Directors believe that there will be synergy effect in relation to the above strategic cooperation for the promotion of the “I am Jackie Chan” Musical Youth Edition, the broadcast and distribution of films and episodes under the abovementioned licenses and the provision of entertainment services to internet platforms and MCN businesses of the Target Group. The Target Group will not only bring PRC films and TV episodes copyrights to overseas internet platforms but also to bring those copyrights from overseas to PRC internet platforms.

As the major target customers for the internet entertainment services of the Target Group mainly originate from domestic customers and through online platforms, the impact of the “US-China trade war” and the recent novel coronavirus crisis on its business is minimal. The Directors consider that the Subscription represents a good opportunity for the Group to tap into the internet entertainment and advertising industry and to diversify the geographical presence of the business of the Group into other regions of the PRC, which will maximise the corporate value of the Group for the Shareholders.

Taking into account the aforesaid, the Directors are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Subscription is more than 5% but less than 25%, the entering into of the Subscription Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Subscription Agreement. The Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors from time to time
“Business Day(s)”	a day (excluding Saturday, Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business to public
“Company”	Kirin Group Holdings Limited (麒麟集團控股有限公司), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM (Stock Code: 8109)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Enlarged Group”	the Group upon Completion
“Feifan Maixuan”	飛梵麥暄(北京)文化傳媒有限公司(Feifan Maixuan (Beijing) Culture Media Company Limited [#]), a company incorporated in the PRC and a subsidiary of the Target Company
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries from time to time
“Guarantors”	collectively, Ms. Wang and Ms. Tin
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huashang Century”	華商世紀文化傳播(北京)有限公司(Huashang Century Culture Media (Beijing) Company Limited [#]), a company incorporated in the PRC and a subsidiary of the Target Company

“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“MOU”	the non-legally binding memorandum of understanding dated 25 March 2020 entered into between the Subscriber and the Target Company setting out the preliminary understanding in relation to the subscription of shares of the Target Company by the Subscriber
“Ms. Tin”	Ms. Tin Shuk Chun (田淑珍), an Independent Third Party being the shareholder holding 30% of the share capital of the Target Company as at the date hereof
“Ms. Wang”	Ms. Wang Zhao (王鑿), an Independent Third Party being the shareholder holding 70% of the share capital of the Target Company as at the date hereof
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of HK\$0.005 each in the capital of the Company
“Shareholders”	holders of the issued Shares from time to time
“Subscriber”	Ample Gaint Investment Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company, being the subscriber of the Subscription Shares
“Subscription”	the subscription by the Subscriber for, and the allotment and issue by the Target Company of, the Subscription Shares subject to and upon the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 22 March 2021 and entered into among the Subscriber, the Target Company and the Guarantors in relation to the Subscription
“Subscription Price”	HK\$3,000,000, representing a subscription price of approximately HK\$20 per Subscription Share

“Subscription Shares”	150,000 new shares of the Target Company to be allotted and issued to the Subscriber at Completion, and the expression “Subscription Share” shall be construed accordingly
“Target Company”	M-Shine Movies (Asia) Limited (麥暄影業(亞洲)有限公司), a company incorporated in Hong Kong with limited liabilities, being the target company and the issuer of the Subscription Shares, which is owned as to 70% by Ms. Wang and 30% by Ms. Tin as at the date hereof
“Target Group”	collectively, the Target Company, Feifan Maixuan and Huashang Century
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	RMB, the lawful currency of the PRC
“%”	per cent.

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

By order of the Board
Kirin Group Holdings Limited
Wang Jinhan
Chairman

Hong Kong, 22 March 2021

As at the date of this announcement, the Board comprises Mr. Wang Jinhan, Mr. Wang Hongtao, Mr. Zhou Wenjun, Mr. Wang Jiankun and Mr. Hung Tat Chi Alan as the executive Directors, Mr. Ng Chi Ho Dennis, Mr. Li Chun Sing and Mr. Lee Cheung Yuet Horace as the independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.tricor.com.hk/webservice/08109.