

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DIGITAL HOLLYWOOD INTERACTIVE LIMITED

遊萊互動集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2022)

MAJOR TRANSACTION

FORMATION OF PROJECT COMPANY IN RELATION TO PROPOSED ACQUISITION OF PROPERTIES BY WAY OF PUBLIC AUCTION

FORMATION OF PROJECT COMPANY IN RELATION TO PROPOSED ACQUISITION OF PROPERTIES

The Board hereby announces that on 20 January 2022, Guangzhou You Lai (an indirect wholly-owned subsidiary of the Company) entered into the Investment Cooperation Agreement with the JV Partner, pursuant to which Guangzhou You Lai and the JV Partner have agreed to establish the Project Company in the PRC for the Investment Project which consists of the Proposed Properties Acquisition by way of bidding at the Public Auction and potential subsequent operational management of the Target Properties in case of successful bidding.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceed 25% but all are less than 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, written shareholders' approval for the Transaction may be obtained by way of shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Transaction and is required to abstain from voting if the Company were to convene an extraordinary general meeting for approving the Transaction. The Company has obtained irrevocable and unconditional written approvals for the Transaction from a closely allied group of Shareholders comprising Mr. LU Yuanfeng, Ms. LUO Simin (the spouse of Mr. LU), Mr. HUANG Guozhan, Mr. HUANG Deqiang and their respective wholly-owned companies, and Epic City Limited, which together held in aggregate of 1,094,045,576 Shares (representing approximately 54.70% of the entire issued share capital of the Company) as at the date of this announcement. Accordingly, in accordance with Rule 14.44 of the Listing Rules, the shareholders' approval requirement in respect of the Transaction under Chapter 14 of the Listing Rules has been satisfied in lieu of a general meeting of the Company.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, the details of the Transaction is required to be despatched to the Shareholders within 15 business days after publication of this announcement. As additional time is required for the Company to prepare and finalise certain information relating to the indebtedness statements and working capital sufficiency for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and make further announcement(s) in relation to the despatch of the circular as and when appropriate.

INTRODUCTION

The Board hereby announces that on 20 January 2022, Guangzhou You Lai (an indirect wholly-owned subsidiary of the Company) entered into the Investment Cooperation Agreement with the JV Partner, pursuant to which Guangzhou You Lai and the JV Partner have agreed to establish the Project Company in the PRC for the Investment Project.

THE INVESTMENT COOPERATION AGREEMENT

The principal terms of the Investment Cooperation Agreement are set out as follows:

Date

20 January 2022

Parties

1. Guangzhou You Lai; and
2. the JV Partner

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the JV Partner is ultimately owned by Mr. HUO Zhigang and Mr. HUO Qi as to 60% and 40%, respectively, and (ii) the JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Term

The term of the Project Company shall be four years commencing from the date of obtaining business certificate (營業執照) in the PRC.

The investment period as agreed under the Investment Cooperation Agreement shall be three years.

Formation of the Project Company

The JV Parties have agreed to establish the Project Company in the PRC for the Investment Project which consists of the Proposed Properties Acquisition by way of bidding at the Public Auction and potential subsequent operational management of the Target Properties in case of successful bidding. The equity interest of the Project Company will be owned as to 70% by the JV Partner and as to 30% by Guangzhou You Lai.

Capital Contribution

Pursuant to the Investment Cooperation Agreement, the total registered capital of the Project Company is RMB1 million, among which RMB300,000 shall be contributed by Guangzhou You Lai and RMB700,000 shall be contributed by the JV Partner. The registered capital shall only be used for the fixed expenses and fees of the Project Company but not for the Investment Project.

Payment of Investment Fund

The JV Parties shall pay investment fund in accordance with the amount and date as stated in the Investment Fund Payment Notice issued by the Project Company ED.

The JV Parties shall pay investment fund in the following manner:

- (1) the Project Company ED shall have the right to issue the Investment Fund Payment Notice depending on the specific needs of the Project Company. The Investment Fund Payment Notice shall stipulate the investment date and investment time (which shall not be later than 2 p.m. on the investment payment date). The JV Parties shall pay investment fund before the date and time as stated in the Investment Fund Payment Notice;
- (2) initial investment fund of RMB1 million shall be paid by the JV Parties to the Project Company within seven working days upon execution of the Investment Cooperation Agreement. The Project Company ED will not issue the Investment Fund Payment Notice for the same;
- (3) Guangzhou You Lai shall pay the second payment of investment fund of RMB40 million to the Project Company before the Project Company participates in the bidding of the Target Properties and the Project Company ED is not required to issue the Investment Fund Payment Notice for the same; and
- (4) after successful bidding of the Target Properties, the JV Partner shall confirm the amount of the second payment of investment fund which shall be 70% of the consideration of the Target Properties (including deposit paid). The Project Company ED is not required to issue the Investment Fund Payment Notice for the same.

The amounts of capital contribution and investment fund under the Investment Cooperation Agreement were determined after arm's length negotiation between the JV Parties with reference to, among others, the amounts of the anticipated consideration of the Target Properties and their respective interest in the Project Company. It is expected that the capital commitment of the Group under the Investment Cooperation Agreement would be financed by its internal resources.

Management of the Project Company

There shall be no board of directors for the Project Company. The JV Parties agreed that the Project Company ED is to be assigned by Guangzhou You Lai. The Project Company ED shall be responsible for decision making during the daily operation of the Project Company.

The Project Company shall set up the Investment Decision Committee which shall be primarily responsible for making decisions for investment decisions, management and withdrawal of the Investment Project. The Investment Decision Committee shall comprise two members, and each of Guangzhou You Lai and the JV Partner is entitled to assign one member. The members of the Investment Decision Committee will not receive any remuneration from the Project Company.

The Investment Project

The funding of the Project Company shall be used for the Proposed Properties Acquisition and the release of the funding shall be decided by the Investment Decision Committee. The Project Company shall be responsible for the bidding of the Target Properties and its related matters, including becoming the legitimate holder of the Target Properties in case of successful bidding. The details of the Target Properties are set out in the section headed "INFORMATION ON THE TARGET PROPERTIES" in this announcement.

Refund

In case of unsuccessful bidding of the Target Properties, Guangzhou You Lai has the right to request the Project Company to refund all investment fund paid by it within 10 days after the request is lodged.

If the bidding of the Target Properties is successful, within two years upon the completion date of the Target Properties (the "**Option Period**"), Guangzhou You Lai has the right to decide to proceed with the Investment Project or forgo its equity interest in the Project Company. If Guangzhou You Lai decides not to proceed with the Investment Project within the Option Period, it has the right to request the Project Company to repurchase its entire equity interest in the Project Company at the consideration which shall be equal to all amount paid by Guangzhou You Lai plus 8% interest per annum (and with reference to the value of the repurchased equity interest during the Option Period (if such value is higher)). The Project Company shall complete the repurchase of the equity interest at the abovementioned consideration within 10 days upon Guangzhou You Lai disposing its equity interest.

If the Project Company fails to refund in the manner or repurchase the equity interest of Guangzhou You Lai as stated above, Guangzhou You Lai has the right to require the Project Company to pay penalty which shall be 0.05% of the contemporary total amount of the total investment fund on a daily basis.

Distribution of Investment Profit

The investment profit of the Project Company shall be distributed in the following order:

- (1) to Guangzhou You Lai, until Guangzhou You Lai realises basic profit from its investment fund paid against the actual capital contributed;
- (2) to the JV Partner, until the JV Partner realises basic profit from its investment fund paid against the actual capital contributed.

Apart from the investment profit, other income obtained by the Project Company, including the income generated from idle fund management, penalty, realised guaranteed income and compensation, etc, shall be all distributed to Guangzhou You Lai.

Termination

The Project Company shall be dissolved and calculated when one of the following situations happen:

- (1) as proposed by a shareholder and subsequently as agreed by all shareholders;
- (2) the term of the Project Company is expired and is not prolonged;
- (3) serious breach of the Investment Cooperation Agreement by a shareholder, which renders the Project Company ED concludes that the Project Company shall not be able to run;
- (4) the business certificate of the Project Company has been withdrawn, the Project Company being ordered to shut down, be revoked or is bankrupt;
- (5) all investment project conducting by the Project Company has completed and the Project Company ED has independently decided the Project Company shall be calculated; and
- (6) other reasons for dissolution as stated in the Company Law in the PRC or the Investment Cooperation Agreement.

INFORMATION ON THE TARGET PROPERTIES

1. Target Property A

Pursuant to the information on the website of Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) in the PRC, the following are the major information in relation to the Target Property A:

Auction title	: Overall transfer of No. 31, Jingtazhi Street, Guangyuan Road, Baiyun District, Guangzhou
Transfer floor price	: RMB67,716,000
Deposit	: RMB10,000,000
Total construction area	: 5,016 square metres
Current usage	: Integrated
Planned usage	: Commercial
Leasing situation	: Not leased but is temporarily managed by a third party

2. Target Property B, Target Property C and Target Property D

Pursuant to the auction announcements as stated on the website of Jingdong Auction* (京東拍賣), the following are the major information in relation to the Target Property B, Target Property C and Target Property D. Most of the information in relation to the Target Property B, Target Property C and Target Property D are substantially the same:

Auction title	: Room 3401 (in case of Target Property B), Room 3501 (in case of Target Property C) and Room 3601 (in case of Target Property D), No. 103, Tiyu West Road, Tianhe District, Guangzhou* under the name of Shunyang Construction Engineering Co., Ltd.* (廣東順洋建設工程有限公司)
Transfer floor price	: Target Property B: RMB11,303,253.6 Target Property C: RMB10,415,016.8 Target Property D: RMB9,139,464.0
Deposit	: The deposit is charged at 10% of the starting price
Total construction area	: Target Property B: 1,002.06 square metres Target Property C: 923.32 square metres Target Property D: 842.50 square metres

- Registration** : Target Property B:
Guangdong Real Estate Right Certificate Sui Zi No. 0120201259*
(粵房地權證穗字第0120201259號)
- Target Property C:
Guangdong Real Estate Right Certificate Sui Zi No. 0120201260*
(粵房地權證穗字第0120201260號)
- Target Property D:
Guangdong Real Estate Right Certificate Sui Zi No. 0120201261*
(粵房地權證穗字第0120201261號)
- Planned usage** : Commercial
- Usage Period** : 50 years

On 20 January 2022, the Project Company was informed that it has successfully won the bid at the public auction for Target Property B and Target Property C at the bid-winning price of RMB13,203,253.6 and RMB10,465,016.8, respectively.

The Company will keep the Shareholders and its potential investors informed of any material development of the Target Properties as and when appropriate.

FINANCIAL EFFECTS

Upon establishment of the Project Company, the JV Partner will control 70% of the voting rights in the shareholders' meetings of the JV and therefore the Project Company will become a subsidiary of the JV Partner. As a result, the financial results of the JV will not be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT COOPERATION AGREEMENT, THE FORMATION OF THE PROJECT COMPANY AND THE PROPOSED PROPERTIES ACQUISITION

The Company considers that the Project Company represents an excellent investment opportunity to the Group, through which the Group will be able to hold an investment interest in the Project Company which will hold the Target Properties upon successful bidding. The formation of the Project Company enables the Group to participate in the Investment Project where the costs and funding needs arising from the acquisition of the Target Properties as well as the operational management thereof could be shared between the Group and the JV Partner in proportion to their respective equity interests in the Project Company.

The Target Properties are located in Baiyun District and Tianhe District which are the economic centres in Guangzhou. The Target Properties can be used for commercial purposes and might be either leased out to generate rental income to the Project Company or used as office by the Group itself should the Board deem appropriate.

In addition, the Investment Cooperation Agreement provides a refund mechanism to the Group, the details of which are set out in the paragraph headed "THE INVESTMENT COOPERATION AGREEMENT – Refund" in this announcement.

Therefore, having considered (i) the relatively low risk of the investment in light of the refund mechanism; (ii) the prime location of the Target Properties which are expected to either generate rental income or used by the Group itself as office upon successful bidding; and (iii) the lower capital commitment required on the part of the Group which enables it to maintain a healthy risk management and cashflow position and benefit the Group's financial performance in the long run, the Board considers that the terms of the Investment Cooperation Agreement are on normal commercial terms and are negotiated on an arm's length basis and Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceed 25% but all are less than 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, written shareholders' approval for the Transaction may be obtained by way of shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Transaction and is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approving of the Transaction. The Company has obtained irrevocable and unconditional written approvals for the Transaction from a closely allied group of Shareholders comprising (i) Mr. LU Yuanfeng, (ii) Ms. LUO Simin (the spouse of Mr. LU), (iii) Mr. HUANG Guozhan, (iv) Mr. HUANG Deqiang, (v) LYF Digital Holdings Limited (a company wholly-owned by Mr. LU Yuanfeng), (vi) Angel Age Limited (a company wholly-owned by Ms. LUO Simin), (vii) LXT Digital Holdings Limited (a company wholly-owned by Mr. HUANG Guozhan), (viii) HDQ Digital Holdings Limited (a company wholly-owned by Mr. HUANG Deqiang) and (ix) Epic City Limited (a wholly-owned subsidiary of the trustee for the administration of the post-IPO share option scheme of the Company), which together held in an aggregate of 1,094,045,576 Shares (representing approximately 54.70% of the entire issued share capital of the Company) as at the date of this announcement.

Mr. LU Yuanfeng, Ms. LUO Simin, Mr. HUANG Guozhan, Mr. HUANG Deqiang, LYF Digital Holdings Limited, Angel Age Limited, LXT Digital Holdings Limited, HDQ Digital Holdings Limited are parties to the Concert Parties Deed and therefore are considered as a group of closely allied shareholders. Epic City Limited is a wholly-owned subsidiary of the trustee for the administration of the post-IPO share option scheme of the Company and therefore is effectively controlled by the Board (in which Mr. LU Yuanfeng, Mr. HUANG Guozhan and Mr. HUANG Deqiang being the executive Directors). As such, the Company considers Epic City Limited is closely allied with Mr. LU Yuanfeng, Ms. LUO Simin, Mr. HUANG Guozhan, Mr. HUANG Deqiang and their respectively wholly-owned companies and should be together considered as a group of closely allied shareholders for the purpose of Rule 14.44 of the Listing Rules.

Accordingly, in accordance with Rule 14.44 of the Listing Rules, the shareholders' approval requirement in respect of the Transaction under Chapter 14 of the Listing Rules has been satisfied in lieu of a general meeting of the Company.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, the details of the Transaction is required to be despatched to the Shareholders within 15 business days after publication of this announcement. As additional time is required for the Company to prepare and finalise certain information relating to the indebtedness statements and working capital sufficiency for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and make further announcement(s) in relation to the despatch of the circular as and when appropriate.

INFORMATION ON THE PARTIES

Guangzhou You Lai

Guangzhou You Lai is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of software and information technology services.

JV Partner

The JV Partner is a company established in the PRC with limited liability. It is principally engaged in provision of information technology consulting services, digital animation production, software development and game design and production.

The Group

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in game research and distribution.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Digital Hollywood Interactive Limited (遊萊互動集團有限公司*), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2022)

“Concert Parties Deed”	the deed of parties acting in concert dated 27 June 2017 entered into amongst Mr. LU Yuanfeng, Ms. LUO Simin (the spouse of Mr. LU), Mr. HUANG Guozhan, Mr. HUANG Deqiang and LYF Digital Holdings Limited (a company wholly-owned by Mr. LU Yuanfeng, Angel Age Limited (a company wholly-owned by Ms. LUO Simin), LXT Digital Holdings Limited (a company wholly-owned by Mr. HUANG Guozhan) and HDQ Digital Holdings Limited (a company wholly owned by Mr. HUANG Deqiang)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Epic City Limited”	a wholly-owned subsidiary of The Core Trust Company Limited (being the trustee for the administration of the post-IPO share option scheme of the Company)
“Guangzhou You Lai”	Guangzhou You Lai Information Technology Company Limited* (廣州遊萊信息科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Cooperation Agreement”	the investment cooperation agreement dated 20 January 2022 entered into between Guangzhou You Lai and the JV Partner in relation to the formation of the Project Company for the Investment Project
“Investment Decision Committee”	the investment decision committee (投資決策委員會) to be set up pursuant to the Investment Cooperation Agreement
“Investment Fund Payment Notice(s)”	the investment fund payment notice(s) (投資款繳付通知) to be issued by the Project Company ED in accordance with the Investment Cooperation Agreement, the form of which is set out in Schedule 2 to the Investment Cooperation Agreement
“Investment Project”	consists of the Proposed Properties Acquisition by way of bidding at the Public Auction and potential subsequent operational management of the Target Properties in case of successful bidding

“Project Company”	Guangzhou Duolai Technology Investment Limited* (廣州多萊科技投資有限公司), a company established in the PRC in accordance with the terms and conditions of the Investment Cooperation Agreement
“Project Company ED”	the executive director of the Project Company who shall be assigned by Guangzhou You Lai
“Proposed Properties Acquisition”	the proposed acquisition of the Target Properties
“JV Partner”	Guangzhou Red Circle Information Technology Company Limited* (廣州紅圈信息科技有限公司), a company established in the PRC with limited liability
“JV Parties”	the parties to the Investment Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Public Auction”	the public auction of the Target Properties, in which the Project Company is expected to participate
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Properties”	consist of Target Property A, Target Property B, Target Property C and Target Property D
“Target Property A”	the property situated at No. 31 Jingtazhi Street, Guangyuan Road, Baiyun District, Guangzhou* (廣州市白雲區廣園路景泰直街31號) with a total area of approximately 5,016 square metres
“Target Property B”	the property situated at Room 3401, No. 103, Tiyu West Road, Tianhe District, Guangzhou* (廣州市天河區體育西路103號) with a total area of approximately 1,002.06 square metres

“Target Property C”	the property situated at Room 3501, No. 103, Tiyu West Road, Tianhe District, Guangzhou* (廣州市天河區體育西路103號) with a total area of approximately 923.32 square metres
“Target Property D”	the property situated at Room 3601, No. 103, Tiyu West Road, Tianhe District, Guangzhou* (廣州市天河區體育西路103號) with a total area of approximately 842.50 square metres
“Transaction”	the Proposed Properties Acquisition and the transactions contemplated under the Investment Cooperation Agreement
“%”	per cent

By Order of the Board
Digital Hollywood Interactive Limited
LU Yuanfeng
Chairman and Chief Executive Officer

Hong Kong, 20 January 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. LU Yuanfeng, Mr. HUANG Guozhan and Mr. HUANG Deqiang; and three independent non-executive Directors, namely Professor CHAU Chi Wai, Wilton, Mr. LI Yi Wen and Mr. LU Qibo.

* *For identification purpose only*