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華 誼 騰 訊 娛 樂 有 限 公 司

**Huayi Tencent Entertainment Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 419)

**CLARIFICATION ANNOUNCEMENT  
ISSUE OF UNLISTED WARRANTS PURSUANT TO  
FACILITY AGREEMENT FOR HK\$72,000,000 TERM LOAN FACILITY  
SUPPLEMENTAL DEED TO DEED OF UNDERTAKING  
RESUMPTION OF TRADING**

**ISSUE OF UNLISTED WARRANTS UNDER THE DEED OF UNDERTAKING  
PURSUANT TO THE FACILITY AGREEMENT**

Reference is made to the announcement of the Company dated 7 December 2022 on a transaction for grant of option to subscribe for new shares in relation to a HK\$72,000,000 term loan facility, and the announcement of the Company dated 8 December 2022 in relation to the trading halt in the shares of the Company. The Company clarifies that the Option and the right of Conversion amount to options to subscribe for equity securities of the Company under Chapter 15 of the Listing Rules. The grant of the Option and of the right of Conversion thus do not constitute a discloseable transaction of the Company and the requirements of Chapter 14 of the Listing Rules are not applicable.

In connection with the grant of the Option and of the right of Conversion, the Company will convene the EGM at which resolutions will be proposed to approve and/or ratify (i) the Deed of Undertaking (as amended by the Supplemental Deed); (ii) the grant of the Option and the right of Conversion in accordance with the terms of the Deed of Undertaking (as amended by the Supplemental Deed); and (iii) the grant of the Specific Mandates.

The issue of new Shares by the Company under the exercise of the Option and of the right of Conversion will be pursuant to the Specific Mandates and not the General Mandate.

## **SUPPLEMENTAL DEED TO THE DEED OF UNDERTAKING**

In view of the above arrangements, on 14 December 2022, the Company and China Vered entered into the Supplemental Deed to make certain amendments to the terms of the Deed of Undertaking.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been halted on the Stock Exchange with effect from 9 a.m. on 8 December 2022, pending the release of this announcement on an update of the transactions disclosed in the Announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 15 December 2022.

Reference is made to the announcement of Huayi Tencent Entertainment Company Limited (the “**Company**”) dated 7 December 2022 on a transaction for grant of option to subscribe for new shares in relation to a HK\$72,000,000 term loan facility (the “**Announcement**”), and the announcement of the Company dated 8 December 2022 in relation to the trading halt in the shares of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement.

### **ISSUE OF UNLISTED WARRANTS UNDER THE DEED OF UNDERTAKING PURSUANT TO THE FACILITY AGREEMENT**

The Deed of Undertaking was entered into as one of the conditions precedent to drawdown of the Facility under the Facility Agreement with principal terms as set out below:-

<b>Date</b>	7 December 2022
<b>Parties</b>	<ol style="list-style-type: none"><li>(1) the Company (as borrower)</li><li>(2) China Vered Wealth, a wholly-owned subsidiary of China Vered (as lender)</li><li>(3) Mr. YUEN Hoi Po (an executive Director, chief executive officer and a substantial shareholder of the Company) (as personal guarantor)</li><li>(4) certain wholly-owned subsidiaries of the Company which will provide security over shareholdings/equity interests held by the Group</li></ol>

<b>Principal Amount</b>	HK\$72,000,000
<b>Interest rate</b>	8.5% per annum
<b>Default interest rate</b>	On any amount payable that is not paid on its due date, interest on the unpaid sum shall be at 2% per annum higher than the interest rate that would have been payable
<b>Repayment</b>	The principal amount together with interest accrued and unpaid shall be repaid on the final repayment date of 7 months from the date of utilisation of the Facility
<b>Guarantee</b>	By Mr. YUEN Hoi Po and by various PRC subsidiaries of the Group
<b>Security</b>	Charges over the shares/equity interests in certain subsidiaries of the Group and over the shares of an associated company of the Group

The Company wishes to clarify that the Option and the right of Conversion amount to options to subscribe for equity securities of the Company under Chapter 15 of the Listing Rules. The grant of the Option and of the right of Conversion under the Deed of Undertaking thus do not constitute a discloseable transaction of the Company and the requirements of Chapter 14 of the Listing Rules are not applicable.

No listing of the warrants to subscribe for new Shares under the Option and the right of Conversion will be sought on the Stock Exchange or any other stock exchanges, but the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be issued upon exercise of the Option and/or the right of Conversion.

The Company hereby announces that in connection with the grant of the Option and the right of Conversion, the Company will convene an extraordinary general meeting (the “**EGM**”) at which resolutions will be proposed to approve and/or ratify (i) the Deed of Undertaking and the Supplemental Deed (as defined below under the section headed “**Supplemental Deed to the Deed of Undertaking**”); (ii) the grant of the Option and the right of Conversion in accordance with the terms of the Deed of Undertaking (as amended by the Supplemental Deed); and (iii) the grant of a specific mandate to the Directors to issue new Shares pursuant to exercise of the Option in accordance with the terms of the Deed of Undertaking (as amended by the Supplemental Deed) (the “**Specific Mandate 1**”) and of a specific mandate to the Directors to issue new Shares pursuant to exercise of the right of Conversion in accordance with the terms of the Deed of Undertaking (as amended by the Supplemental Deed) (the “**Specific Mandate 2**”) (Specific Mandate 1 and Specific Mandate 2 are together referred to as the “**Specific Mandates**”).

A circular containing, among other things, further details of the Deed of Undertaking (as amended by the Supplemental Deed), the Option and the right of Conversion, and a notice convening the EGM will be despatched to the Shareholders in accordance with requirements under the Listing Rules.

## **MINIMUM ISSUE PRICE AND MAXIMUM NUMBER OF SHARES UNDER THE SPECIFIC MANDATES FOR THE ISSUE OF NEW SHARES PURSUANT TO EXERCISE OF THE OPTION AND THE RIGHT OF CONVERSION**

### **Specific Mandate 1**

The minimum issue price per Share for which the Company proposes to seek under the Specific Mandate 1 is HK\$0.095 per Share, being approximately equivalent to the lowest traded price of the Shares in the 52 weeks prior to the date of the Deed of Undertaking of HK\$0.118 per Share after applying a 19.99% discount (rounding up the result). This represents an estimate of the lowest price per Share at which the Option may be exercised taking into account the current trend of the traded market prices of the Shares on the Stock Exchange.

Based on the abovementioned minimum issue price of HK\$0.095 per Share and the maximum amount of HK\$77,010,000 that China Vered may exercise under the Option, the maximum number of new Shares that the Company may issue under the Specific Mandate 1 pursuant to exercise of the Option is 810,631,579 Shares.

### **Specific Mandate 2**

Pursuant to the requirement of Rule 15.02(1) of the Listing Rules that the securities to be issued on exercise of the warrants granted by an issuer must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the number of issued shares of the issuer at the time such warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit. As of the date of this announcement, the Company does not have any securities with subscription rights outstanding and not yet exercised and which are required to be aggregated with the Option and the right of Conversion in accordance with Rule 15.02(1) of the Listing Rules. Accordingly, the maximum number of new Shares that may be issued under Specific Mandate 1 and Specific Mandate 2 shall not exceed 2,717,067,721 new Shares, being less than 20% of the total number of 13,585,338,609 issued Shares as at the date of the grant of the Option and the right of Conversion (the “**20% maximum**”). Deducting the maximum number of 810,631,579 new Shares under the Specific Mandate 1 from the maximum 2,717,067,721 new Shares under the 20% maximum, the maximum number of new Shares that the Company may issue under the Specific Mandate 2 pursuant to exercise of the right of Conversion is 1,906,436,142 Shares.

Based on the highest aggregate Outstanding Loan Amount that China Vered may be able to exercise under the right of Conversion of HK\$76,410,000 and dividing such monetary amount by the maximum number of 1,906,436,142 new Shares that may be issued under the Specific Mandate 2 (rounding up the result), the Company proposes to seek the Specific Mandate 2 for the issue of new Shares at the minimum issue price of HK\$0.041 per Share. That such minimum issue price per Share is lower than the minimum issue price per Share under the Specific Mandate 1 also reflects that should the right of Conversion becomes triggered by a continuing event of default under the Facility Agreement, the traded prices of the Shares might drop to a lower level.

The minimum issue price of HK\$0.095 per Share under the Specific Mandate 1 and the minimum issue price of HK\$0.041 per Share under the Specific Mandate 2 together represent a theoretical dilution effect (under note 1 to Rule 7.27B of the Listing Rules) of approximately 10.19%, represented by a discount of the theoretical diluted price of approximately HK\$0.132 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.147 per Share, taking into account the higher of the closing price on the date of the Deed of Undertaking of HK\$0.147 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days preceding the aforesaid date of approximately HK\$0.147 per Share.

## **SUPPLEMENTAL DEED TO THE DEED OF UNDERTAKING**

In view of the above arrangements, on 14 December 2022, the Company and China Vered entered into a supplemental deed to the Deed of Undertaking (the “**Supplemental Deed**”) to make certain amendments to the terms of the Deed of Undertaking, which amendments are as set out below:-

### **1. Revised terms on exercise of the Option**

The issue of new Shares pursuant to exercise of the Option shall be on the same (or no less favorable) applicable terms and conditions (including but not limited to the price and, where practicable, closing) of the Proposal or the Disposal, provided that each exercise of the Option by China Vered is subject to the Specific Mandate 1 of the maximum number of 810,631,579 new Shares that may be allotted and issued at an issue price of not less than HK\$0.095 per Share and within the scope of the Specific Mandate 1 remaining available for issuance by the Borrower.

Should the issue of new Shares pursuant to the exercise of the Option be at an issue price below the minimum price of HK\$0.095 per Share (to match the price per Share under the Proposal or the Disposal) and thus beyond the scope of the Specific Mandate 1, such issue of new Shares shall be subject to the obtaining by the Company of all necessary approvals under applicable laws, rules and regulations for the issue of such amount of new Shares. In such case, the Company shall not proceed with the Proposal, or as the case maybe, shall use reasonable endeavours to procure that Mr. YUEN Hoi Po and/or Smart Concept Enterprise Limited will not proceed with the Disposal unless the Company has obtained the aforesaid necessary approvals.

## **2. Revised terms on exercise of the right of Conversion**

During the period of 2 years from the date of the Deed of Undertaking and upon the occurrence of any event of default as specified under the Facility Agreement which is continuing, China Vered may elect to convert all or part of the Outstanding Loan Amount into new Shares to be issued by the Borrower and subscribe for such Shares by itself or its nominee in one demand or multiple demands by a written notice to the Borrower. The right of Conversion will thus expire not more than 5 years from the date of grant in compliance with Rule 15.02(2) of the Listing Rules.

The exercise of the right of Conversion by China Vered is subject to the Specific Mandate 2 of the maximum number of 1,906,436,142 new Shares that may be allotted and issued at an issue price of not less than HK\$0.041 per Share and within the scope of the Specific Mandate 2 remaining available for issuance by the Borrower. Should the Conversion Price for an exercise of the right of Conversion be below the minimum issue price of HK\$0.041 per Share under the Specific Mandate 2 (due to the Conversion Price being at 19.99% discount to the market closing price level of the Shares at Conversion and the traded prices of the Shares on which the Conversion Price is based having fallen to a low level), such issue of new Shares for the exercise of the right of Conversion shall be subject to the obtaining of necessary approvals by the Company under applicable laws, rules and regulations.

### **3. Conditions to taking effect**

The Deed of Undertaking shall take effect subject to:-

- (a) the passing of resolutions by the shareholders of the Company at an extraordinary general meeting of the Shareholders approving and/or ratifying (i) the entering into of the Deed of Undertaking as supplemented and amended by the Supplemental Deed; (ii) the grant of the Option and the right of Conversion; (iii) the grant of the Specific Mandate 1 and the Specific Mandate 2; and
- (b) the utilization of the Facility taking place.

### **4. Deletion of provisions related to the General Mandate**

As the issue of new Shares under the exercise of the Option and the right of Conversion will be pursuant to the Specific Mandates and not the General Mandate:-

- the Limits which relate to issue of new Shares under the General Mandate are no longer applicable and are taken out from the Deed of Undertaking;
- the undertaking by the Company that during the term of the Facility (which is seven months from the date of utilization) or while there still exists the Outstanding Loan Amount, the Company shall not allot and issue any new Shares (except pursuant to the share option scheme or share award scheme of the Company, or pursuant to the CIA Agreement) unless prior written consent of China Vered is duly obtained, which was given in connection with the issue of new Shares upon exercise of the Option and/or the right of Conversion under the General Mandate, is no longer relevant and is deleted.

Save as supplemented by the Supplemental Deed, all other terms, conditions and provisions in the Deed of Undertaking shall continue to have full force and effect.

## SHAREHOLDING STRUCTURE

As at the date of the announcement, the Company has 13,585,338,609 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the maximum 810,631,579 new Shares following exercise of the Option in full pursuant to Specific Mandate 1; (iii) immediately after the issue of 1,906,436,142 new Shares following exercise of the right of Conversion in full pursuant to Specific Mandate 2; and (iv) immediately after the issue of the maximum of 2,717,067,721 new Shares following exercise of both the Option and the right of Conversion in full pursuant to the Special Mandates (under each of the scenarios (ii), (iii) and (iv), at the respective minimum issue price of HK\$0.095 or HK\$0.041 per Share, as applicable, pursuant to the Specific Mandates, and assuming no other changes to the issued share capital of the Company apart from such exercises) are set out as below for illustration purpose only:-

	As at the date of this announcement		Immediately after the issue of new Shares pursuant to the exercise of the Option only in full pursuant to the Specific Mandate 1		Immediately after the issue of new Shares pursuant to the exercise of the right of Conversion only in full pursuant to the Specific Mandate 2		Immediately after the issue of new Shares pursuant to the exercise of the Option and of the right of Conversion in full up to the maximum number of Shares that could be issued pursuant to the Specific Mandates	
			<i>Approximate percentage of total issued Shares as enlarged by the issue of</i>	<i>Approximate percentage of total issued Shares as enlarged by the issue of</i>	<i>Approximate percentage of total issued Shares as enlarged by the issue of</i>	<i>Approximate percentage of total issued Shares as enlarged by the issue of</i>		
	<i>No. of Shares (Shares)</i>	<i>total issued Shares (%)</i>	<i>No. of Shares (Shares)</i>	<i>new Shares (%)</i>	<i>No. of Shares (Shares)</i>	<i>new Shares (%)</i>	<i>No. of Shares (Shares)</i>	<i>new Shares (%)</i>
<b>Substantial Shareholders</b>								
YUEN Hoi Po (Note 1)	2,397,340,107	17.65	2,397,340,107	16.65	2,397,340,107	15.47	2,397,340,107	14.71
Tencent Holdings Limited (Note 2)	2,116,251,467	15.58	2,116,251,467	14.70	2,116,251,467	13.66	2,116,251,467	12.98
China Vered (and/or its nominees)	-	-	810,631,579	5.63	1,906,436,142	12.31	2,717,067,721	16.67
<b>Public Shareholders</b>								
KO Chun Shun, Johnson (Note 3)	1,262,000,000	9.29	1,262,000,000	8.77	1,262,000,000	8.15	1,262,000,000	7.74
Other public shareholders	7,809,747,035	57.48	7,809,747,035	54.25	7,809,747,035	50.41	7,809,747,035	47.90
<b>Total</b>	<b>13,585,338,609</b>	<b>100.00</b>	<b>14,395,970,188</b>	<b>100.00</b>	<b>15,491,774,751</b>	<b>100.00</b>	<b>16,302,406,330</b>	<b>100.00</b>

*Notes:*

- (1) YUEN Hoi Po is an executive Director and is beneficially interested in 459,310,000 Shares. He is also deemed to be interested in 1,938,030,017 Shares held by his wholly-owned corporation, namely Smart Concept Enterprise Limited.
- (2) These Shares are held by Mount Qinling Investment Limited. Since Mount Qinling Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited, Tencent Holdings Limited is deemed to be interested in these Shares.
- (3) These Shares are held by Greater Harmony Limited, which is wholly-owned by Mr. KO Chun Shun, Johnson. Therefore, Mr. Ko is deemed to be interested in these Shares.

### **RATIONALE OF THE GRANT OF THE OPTION AND THE RIGHT OF CONVERSION AS PART OF THE FACILITY AGREEMENT**

The Group keenly wishes to obtain additional capital for the development of the businesses of Echartnow and Meerkat Health. Though time is of the essence for the Group to obtain financing, that such principal businesses of the Group are currently at development stage and are loss making with negative cashflow made it not feasible for the Group to have access to typical loan arrangement with banks.

Non-bank financial institutions have a relatively higher risk appetite in providing loan financing to borrowers in situation similar to the Company, and such financing tends to be at higher costs. Among three non-bank financial institutions approached by the Company to apply for loan financing, apart from China Vered no concrete terms could be reached with the other two financial institutions.

In conjunction with the negotiations on the transaction for the grant of Facility, China Vered also expressed its interest in certain form of equity participations in the Company. However, given the volatile stock market this year and current market capitalization of the Company, the Company did not consider it an appropriate timing to issue new Shares or enter into other form of equity transactions at this stage. Accordingly, the parties have agreed to include the Option and the right of Conversion as part of terms of the Facility, in order to achieve a combination of interest-bearing loan plus certain form of equity arrangement which could provide certain opportunities for China Vered to make equity investment in the Company in the near future.

Under the terms of the Option, the Company will have a sufficient degree of control over whether a Proposal will be carried out and also the price for issue of Shares under a Proposal that would trigger the right of China Vered to exercise the Option to subscribe for new Shares on the same (or no less favorable terms). For the right of Conversion, new Shares will be issued at a price with reference to the then market price of the Shares at the time of exercise of such right. Taking into account the above circumstances and considerations, the Company considers the terms of the Option and the right of Conversion to be fair and reasonable and in the interest of the Company and its shareholders.

## **CLARIFICATION OF CONTENTS IN THE ANNOUNCEMENT**

As the Option and the right of Conversion amount to options to subscribe for equity securities of the Company under Chapter 15 of the Listing Rules and do not constitute transactions under Chapter 14 of the Listing Rules, the first paragraph under the section headed “**ISSUE OF NEW SHARES PURSUANT TO EXERCISE OF THE OPTION AND/OR THE RIGHT OF CONVERSION**” on page 7 of the Announcement, and the section headed “**IMPLICATIONS UNDER THE LISTING RULES**” on page 9 of the Announcement are not relevant or applicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been halted on the Stock Exchange with effect from 9 a.m. on 8 December 2022, pending the release of this announcement on an update of the transaction disclosed in the Announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 15 December 2022.

By Order of the Board  
**Huayi Tencent Entertainment Company Limited**  
**HAU Wai Man, Raymond**  
*Company Secretary*

Hong Kong, 14 December 2022

*As at the date of this announcement, the Board comprises:*

*Executive directors: Mr. CHENG Wu (Vice Chairman), Mr. YUEN Hoi Po (Chief Executive Officer)*

*Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo*