

Hong Kong Exchanges and Clearing Limited and The Stock Exchange 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.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.



**STARLIGHT CULTURE
ENTERTAINMENT**

STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED

星光文化娛樂集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF SERENSIGHT INVESTMENT
COMPANY LTD. AND ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 15 December 2021 (after trading hours), the Company and the Seller entered into the Share Purchase Agreement in relation to the Acquisition. Pursuant to the Share Purchase Agreement, the Seller agreed to sell, and the Company agreed to purchase, the Sale Shares (representing the entire issued share capital of the Target Company as at the date of this announcement) for the Consideration, being HK\$133,000,000. The Consideration shall be satisfied by the Company by allotting and issuing a total of 80,606,061 Consideration Shares at the Issue Price of HK\$1.65 each, credited as fully paid, to the Seller (or its nominee) on the Completion Date.

The Consideration Shares represent (i) approximately 9.79% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the Completion Date).

Upon Completion, the Company will hold the entire issued share capital of the Target Company. The Target Company is interested in 18,927,927 ACEG Shares (representing approximately 38% of the issued share capital of ACEG as at the date of this announcement). ACEG, through its wholly-owned subsidiaries, holds the entire issued share capital of the WFOE. By virtue of the Contractual Arrangements, the WFOE exercises control over the operation of the Operating Company and enjoys the economic benefits generated by the Operating Company. ACEG Group is an entertainment business group principally engaged in the operation of AKB48 in the PRC, one of Asia's top female idol group brands, and the development of new businesses including virtual idol and digital artwork production, in an effort to build a metaverse eco-system that includes music and pop idol.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As completion of the Share Purchase Agreement is subject to the fulfilment and/or waiver of certain conditions set forth therein, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

THE ACQUISITION

Reference is made to the voluntary announcement of the Company dated 15 July 2021 in relation to the Company's non-binding memorandum of understanding with ACEG in respect of the possible acquisition by the Company of the ACEG Shares.

The Board is pleased to announce that on 15 December 2021 (after trading hours), the Company and the Seller entered into the Share Purchase Agreement in relation to the Acquisition. The principal terms of the Share Purchase Agreement are set out below:

THE SHARE PURCHASE AGREEMENT

Date

15 December 2021 (after trading hours)

Parties

- (1) The Company as the purchaser; and
- (2) The Seller as the seller,

collectively referred to as the "**Parties**" and each a "**Party**".

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owner are independent of the Company and connected persons of the Company.

Subject matter

Pursuant to the Share Purchase Agreement, the Seller agreed to sell, and the Company agreed to purchase, the Sale Shares (representing the entire issued share capital of the Target Company as at the date of this announcement) for the Consideration. Upon Completion, the Company will hold the entire issued share capital of the Target Company. The Target Company is interested in 18,927,927 ACEG Shares (representing approximately 38% of the issued share capital of ACEG as at the date of this announcement).

Consideration

The Consideration is HK\$133,000,000, which shall be satisfied by the Company by allotting and issuing a total of 80,606,061 Consideration Shares at the Issue Price of HK\$1.65 each, credited as fully paid, to the Seller (or its nominee) on the Completion Date.

The Consideration was arrived after arm's length negotiation between the Company and the Seller after taking into account the following:

- (i) *ACEG's historical financial performance*; the revenue of ACEG for the financial year ended 31 December 2020;
- (ii) *ACEG's historical business growth*;
- (iii) *ACEG's prospects and growth potential*; ACEG is in the process of capitalising on the emerging idol industry and fan economy, and the growth of the new virtual idol and metaverse market; and
- (iv) *the current trading multiples of comparable listed companies in Asia in the pop idol industry*.

Based on the financial accounts of ACEG for the financial year ended 31 December 2020, ACEG generated a revenue of HK\$26.45 million, which represents an implied P/S ratio of 13.2x.

Set out below is a list of comparable companies and their implied P/S ratios. These comparable companies engage in entertainment business with similar business model as ACEG Group, i.e. the idol and fan focused business operation, and East Asian pop culture. Despite the fact that entertainment business is an emerging industry in China, the market potential is considerably larger than its peers in the developed economy. As illustrated in the below table, the implied P/S ratio of ACEG Group falls within the range of the P/S ratios of the following comparable companies and is above the 3rd quartile of the P/S ratios of the following comparable companies:

Company	Listing Exchange	Market Capitalisation <i>(HK\$ million)</i> <i>(Note 1)</i>	Revenue <i>(HK\$ million)</i> <i>(Note 2)</i>	Implied P/S ratios
SM Entertainment (stock code: 041510)	Korea Exchange	11,494	3,818	3.0x
YG Entertainment (stock code: 122870)	Korea Exchange	6,609	1,681	3.9x
JYP Entertainment (stock code: 035900)	Korea Exchange	10,399	951	10.9x
HYBE Entertainment (stock code: 352820)	Korea Exchange	93,466	5,243	17.8x
Median				7.4x
Mean				8.9x
Third Quartile				12.7x
Maximum				17.8x

Source: Capital IQ

Notes:

1. Based on the average closing price as quoted on the Stock Exchange from 8 December 2021 to 14 December 2021, being the five (5) consecutive trading days immediately prior to the date of the Share Purchase Agreement, of the respective comparable companies.
2. Based on the revenue as disclosed in the annual report or prospectus of the respective comparable companies for the financial year ended 31 December 2020. For the purpose of this announcement, the conversion of KRW into HK\$ is based on the applicable exchange rate of HK\$1 to KRW151.89 on 15 December 2021 for illustration purpose only.

The Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares represent (i) approximately 9.79% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the Completion Date).

Issue Price

The Issue Price of HK\$1.65 represents:

- (i) a premium of approximately 112% of the closing price of HK\$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 101% over the average closing price of HK\$0.82 per Share for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 91% over the average closing price of HK\$0.86 per Share for the ten (10) consecutive trading days up to and including the Last Trading Day.

Ranking

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue.

Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 164,712,959 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares are not subject to any further approval of the Shareholders.

Application for listing

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

Conditions Precedent

Completion is conditional upon, among others, the following conditions precedents (the “**Conditions Precedent**”) being fulfilled or waived by the Company or the Seller (as the case may be):

- (a) Representations and warranties true, correct and complete. The representations and warranties of the Seller and the Company shall be true, correct, complete and not misleading in all of the material aspects.
- (b) Due diligence. The Company shall have satisfied with the due diligence results of the Target Company and ACEG Group.
- (c) Authorizations. All of the consents of any competent governmental authority or of any other person that are required to be obtained in connection with the consummation of the transactions contemplated by the Share Purchase Agreement shall have been obtained and such consent has not been withdrawn or revoked as of Completion.
- (d) Legality of Contractual Arrangements. No notices, letters or orders having been served, issued or made by any governmental authority or statutory or regulatory body declaring that the Contractual Arrangements are illegal, invalid or not in compliance with any applicable PRC laws, regulation or policy or any other applicable laws.

- (e) No prohibitive action. No notice, order, judgment, action or proceeding of any court, arbitrator, governmental authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Share Purchase Agreement or which is reasonably likely to have a material adverse effect on the right of the Company to own the legal and beneficial title to the Sale Shares, free from encumbrances, following Completion.
- (f) Listing approval regarding the Consideration Shares. The Company shall have obtained the approval for the listing of, and permission to deal in, the Consideration Shares upon their allotment and issuance to the Seller on the Stock Exchange from the Stock Exchange and such approval has not been withdrawn as of the Completion Date.
- (g) Authorization for the issue of the Consideration Shares. The Company shall have obtained approval of the Board as required for the allotment and issuance of the Consideration Shares to the Seller pursuant to the Share Purchase Agreement.
- (h) Listing status of the Company. The listing status of the Company on the Stock Exchange shall not have been revoked or withdrawn at any time prior to Completion, save for any temporary suspension or for the suspension for the purpose of clearing the announcements in relation to the Share Purchase Agreement.

Completion

Subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent, Completion shall take place on the Completion Date.

Termination

Prior to Completion, the Share Purchase Agreement may be terminated upon occurrence of any of the following events:

- (i) by written mutual consent of the Parties;
- (ii) the Conditions Precedent not being fulfilled or waived (as the case may be) within six (6) months from the date of the Share Purchase Agreement;

- (iii) by written notice of the Company, if (a) there is any material breach or default on the observance or performance of any covenant, obligation or agreement of the Seller under the Share Purchase Agreement or other ancillary documents (collectively, the “**Transaction Documents**”); or (ii) the representations and warranties given by the Seller under the Transaction Documents or any document delivered pursuant to the Transaction Documents are inaccurate, misleading or untrue in any material respect, and such breach or default is not cured by the Seller within thirty (30) days after the Seller, the Target or ACEG Group receiving a written notice of such breach or default; or
- (iv) by written notice of the Seller, if (a) there is any material breach or default on the observance or performance of any covenant, obligation or agreement of the Company under the Transaction Documents; or (ii) the representations and warranties given by the Company under the Transaction Documents or any document delivered pursuant to the Transaction Documents are inaccurate, misleading or untrue in any material respect, and such breach or default is not cured by the Company within thirty (30) days after the Company receiving a written notice of such breach or default.

EFFECTS OF THE ACQUISITION ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion and immediately after the allotment and issuance of the Consideration Shares:

	As at the date of this announcement		Upon Completion and immediately after the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Directors and substantial Shareholders				
Mr. Sang Kangqiao	13,629,500	1.65	13,629,500	1.51
Mr. Chau Chit (<i>Note 1</i>)	49,693,600	6.03	49,693,600	5.50
Timcha Investment Limited (鼎創投資有限公司) (<i>Note 2</i>)	181,513,514	22.04	181,513,514	20.08
Public Shareholders				
The Seller	–	–	80,606,061	8.91
Other public Shareholders	578,728,185	70.27	578,728,185	64.01
Total	823,564,799	100	904,170,860	100

Notes:

1. Mega Start Limited holds 49,693,600 Shares. The entire issued share capital of Mega Start Limited is wholly owned by Mr. Chau Chit (“**Mr. Chau**”). By virtue of the SFO, Mr. Chau is deemed to be interested in the 49,693,600 Shares.
2. The entire issued share capital of Timcha Investment Limited is wholly owned by 江陰星輝文化傳播有限公司, which is owned as to 34.97% by 江陰濱江科技創業投資有限公司 and in turn wholly owned by 江陰科技新城投資管理有限公司. By virtue of the SFO, 江陰星輝文化傳播有限公司, 江陰濱江科技創業投資有限公司 and 江陰科技新城投資管理有限公司 are deemed to be interested in all the Shares in which Timcha Investment Limited is interested under the SFO.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the investment in the movie-production industry. Partnering with a number of world-renowned directors, the Group is ideally positioned in opportunity sourcing and taking advantage of the booming film-related IP and metaverse market. The Group has been reviewing its current business and exploring possible business opportunities in both the PRC and overseas markets to further develop and expand its media and culture business. Given ACEG Group manages the operation of AKB48 in China, one of Asia’s top female idol group brands, and pioneers in new businesses including virtual idol and digital artwork production, in an effort to build a metaverse eco-system that includes music and pop idol, the Directors believe that the Acquisition will diversify the Group’s business, enlarge its customer base and gain IP resources with significant influence and market potential. The Acquisition also marks the beginning of a joint venture cooperation with the Japanese business partners. It is envisaged that the Group will further collaborate with other Japan-based media and entertainment companies through ACEG Group by acquiring more IP resources other than AKB48, exploring business opportunities in the metaverse field, and expanding its commercial reach in the Japan market in future. In addition, ACEG Group is able to utilize the IPs derived from Hollywood and metaverse resource accessible by the Group, in its venture in metaverse, including producing virtual female idol group, virtual concert, and creating digital artwork with female idol themes.

After taking into consideration of the above factors, the Directors consider that the Acquisition is on normal commercial terms, the terms of the Share Purchase Agreement (including the payment terms) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE SELLER

The Company is a company incorporated under the laws of Bermuda with limited liability. The Group is principally engaged in the investment in the movie-production industry.

The Seller is a company incorporated under the laws of the British Virgin Islands with limited liability. It is principally engaged in investment holding. Ms. Chen Congyuan Emerald (陳琮元) is the ultimate beneficial owner holding the entire issued share capital of the Target Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owner are independent of the Company and connected persons of the Company.

INFORMATION OF THE TARGET COMPANY AND THE ACEG GROUP

The Target Company is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company holds 18,927,927 ordinary shares in ACEG, representing 38% of the issued share capital of ACEG. ACEG, through its wholly-owned subsidiaries, holds the entire issued share capital of the WFOE. By virtue of the Contractual Arrangements, the WFOE exercises control over the operation of the Operating Company and enjoys the economic benefits generated by the Operating Company.

ACEG Group is an entertainment business group principally engaged in the operation of AKB48 in the PRC, one of Asia's top female idol group brands, and the development of new businesses including virtual idol and digital artwork production, in an effort to build a metaverse eco-system that includes music and pop idol. Upon Completion, the Target Company will be a direct wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group. Given the Target Company is interested in 38% of the issued share capital of ACEG, the financial results of ACEG Group will be accounted for using equity method of accounting in the consolidated financial statements of the Group.

Based on the information available to the Company, F&C Investment Holding Limited is interested in 27.29% of the ACEG Shares as at the date of this announcement, which is ultimately wholly-owned by Ms. Liu De Ye Ching (廖清清). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining ACEG Shares are held by other shareholders who (i) each holds less than 20% of the ACEG Shares; and (ii) are, and their respective ultimate beneficial owners are, third parties independent of the Company and connected persons of the Company.

Set out below is certain financial information of ACEG Group, as extracted from the unaudited consolidated financial statements of ACEG Group for the two financial years ended 31 December 2019 and 2020 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit before taxation	-5,282	-27,179
Net profit after taxation	-7,515	-28,593

**As at
the Latest
Practicable
Date**
HK\$'000
(Unaudited)

Net asset value 2,271

ACEG, through its wholly-owned subsidiaries, holds the entire issued share capital of the WFOE. By virtue of the Contractual Arrangements, the WFOE exercises control over the operation of the Operating Company and enjoys the economic benefits generated by the Operating Company. ACEG Group is an entertainment business group principally engaged in the operation of AKB48 in the PRC, one of Asia's top female idol group brands and the development of new businesses including virtual idol and digital artwork production, in an effort to build a metaverse eco-system that includes music and pop idol. Further details of the Contractual Arrangements are set forth in the section headed "Contractual Arrangements adopted by the ACEG Group" in this announcement.

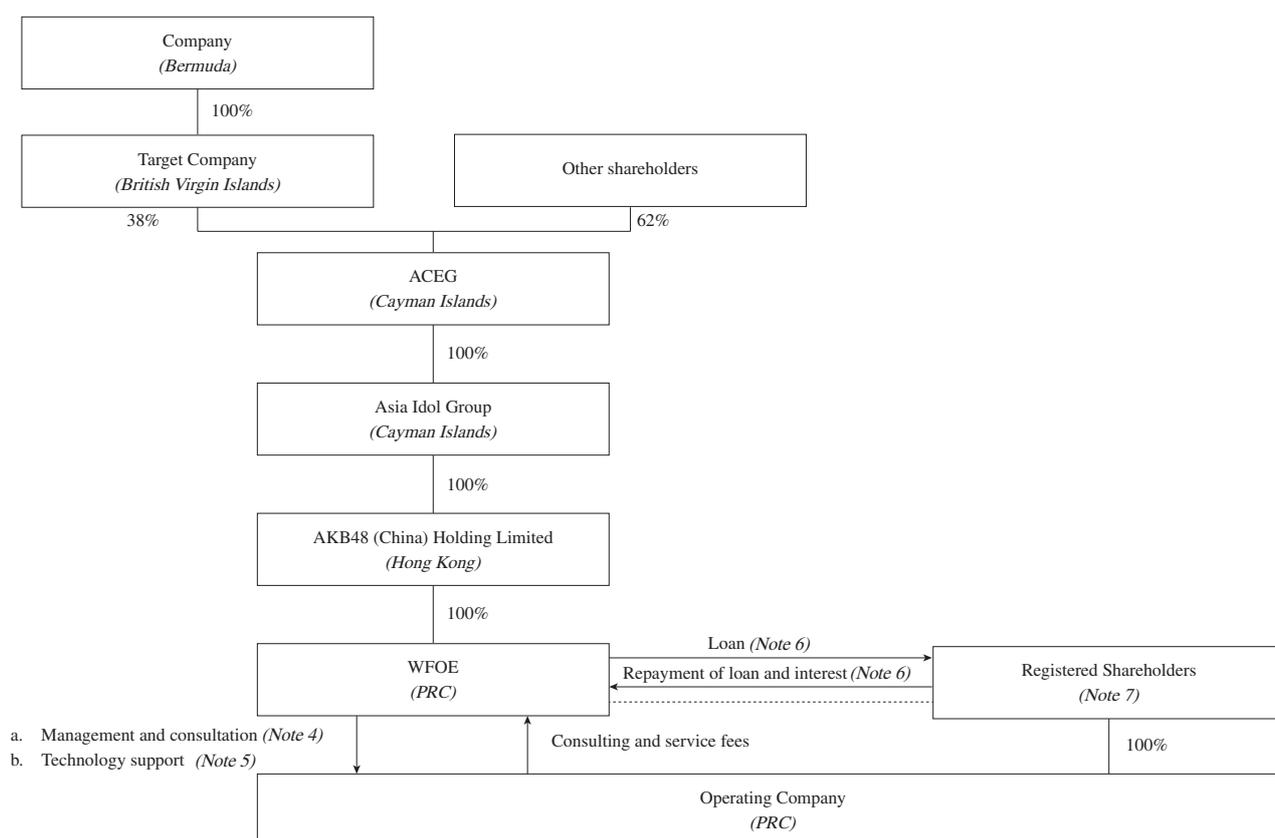
CONTRACTUAL ARRANGEMENTS ADOPTED BY ACEG GROUP

ACEG Group is an entertainment business group principally engaged in the operation of AKB48 in the PRC, one of Asia's top female idol group brands and the development of new businesses including virtual idol and digital artwork production, in an effort to build a metaverse eco-system that includes music and pop idol. ACEG Group adopted the Contractual Arrangements due to the foreign ownership restriction on the investment in certain business operated by Operating Company (the "**Relevant Business**") in the PRC, further details of which are set out in the section headed "Reasons for use of the Contractual Arrangements" in this announcement.

Set out below are (i) the VIE Agreements entered into under the Contractual Arrangements; (ii) the simplified structure of the Contractual Arrangements; and (iii) the flow of economic benefits from the Operating Company to the WFOE according to the VIE Agreements upon Completion:

- (1) Power of attorney granted by the Registered Shareholders in favour of the WFOE to exercise all shareholders' rights in the Operating Company (*Note 1*)

- (2) Exclusive call option granted by the Registered Shareholders in favour of the WFOE in relation to all or part of the equity interests in and/or assets of the Operating Company (Note 2)
- (3) First priority interest over the entire equity interests in the Operating Company granted by the Registered Shareholders in favour of the WFOE (Note 3)
- (4) Exclusive strategic consultation service agreement between the WFOE and the Operating Company (Note 4)
- (5) Technology support service agreement between the WFOE and the Operating Company (Note 5)
- (6) Loan agreement between the WFOE and the Registered Shareholders (Note 6)



Notes:

1. Please refer to the “Power of Attorney” for details.
2. Please refer to the “Exclusive Call Option and Cooperation Agreement” for details.
3. Please refer to the “Share Pledge Agreement” for details.
4. Please refer to the “Exclusive Strategic Consultation Service Agreement” for details.
5. Please refer to the “Technology Support Service Agreement” for details.
6. Please refer to the “Loan Agreement” for details.
7. The Registered Shareholders are Mr. Chen Jiansheng (陳建生) (“**Mr. Chen**”) and Mr. Gu Liwei (顧黎偉) (“**Mr. Gu**”), each a PRC national, holding 99% and 1% equity interests in the Operating Company respectively.

“——” denotes direct legal and beneficial ownership in the equity interests.

“—▶” denotes contractual relationships under the VIE Agreements.

“-----” denotes the control by the WFOE over the Registered Shareholders through (i) the power of attorney to exercise all shareholders’ rights in the Operating Company; (ii) exclusive call option to acquire all or part of the equity interests in or assets of the Operating Company; and (iii) equity pledge over the equity interests in the Operating Company.

REASONS FOR USE OF THE CONTRACTUAL ARRANGEMENTS

The main reason for ACEG Group to adopt the Contractual Arrangements was because the Relevant Businesses operated by the Operating Company are subject to foreign ownership restriction in the PRC, and hence ACEG Group is unable to own or hold any direct equity interest in the Operating Company.

Foreign investment activities in the PRC are governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the “**Negative List**”) which was promulgated and are amended from time to time jointly by the NDRC and the MOFCOM. The Negative List sets forth the industries in which foreign investment is restricted or prohibited. A summary of Relevant Businesses that are subject to foreign ownership restriction in accordance with the Negative List and other applicable PRC laws and regulations is set forth below.

Categories	Relevant Businesses	Foreign Ownership Restrictions
Prohibited Business	Radio and television program production The Operating Company currently holds a Radio and Television Production Operation License (《廣播電視節目製作經營許可證》) for the production and release of radio and television programs.	As confirmed by our PRC Legal Adviser, according to the Negative List and the Regulations on the Administration of Production of Radio and Television Programs (《廣播電視節目製作經營管理規定》), foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television programs production and operation business.
Restricted Business	Value-added telecommunication services The Operating Company currently holds a value-added telecommunications business operation license (《增值電信業務經營許可證》) (the “ ICP License ”) for the provision of commercial Internet information service.	As confirmed by our PRC Legal Adviser, according to the Negative List and the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business (excluding electronic commerce, domestic multi-party communication, storage-forwarding and call center).

In light of such foreign ownership restriction, ACEG, through the WFOE, entered into a series of VIE Agreements with the Operating Company and the Registered Shareholders. The Contractual Arrangements have allowed the ACEG to exercise full control over the Operating Company and consolidate the financial results of the Operating Company into the accounts of ACEG Group as if it were a subsidiary of the ACEG.

The VIE Agreements have been narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company. Given the Target Company is only interested in 38% of the issued share capital of ACEG, the Company will not, through the Target Company, obtain a majority control of the ACEG Group and as such, it is not in a position to require ACEG Group to reorganize its existing Contractual Arrangements. However, the Company intends to monitor the development of the relevant PRC laws and regulations and work closely with ACEG Group to take all reasonable steps to comply with the other requirements or unwind the VIE Agreements to the extent possible and practicable under the relevant PRC laws and regulations.

DETAILS OF THE VIE AGREEMENTS

Loan Agreement

On 15 December 2021, the WFOE as lender and the Registered Shareholders each as a borrower entered into a loan agreement (the “**Loan Agreement**”) in relation to a facility of up to RMB10,000,000 (the “**Loan**”). Pursuant to the Loan Agreement, the Loan can only be used by the Registered Shareholders to satisfy each of their capital contribution requirements as set out in the Operating Company’s articles of association (the “**Articles**”). The term of the Loan commenced on the date of the Loan Agreement until all equity interests of the Registered Shareholders in the Operating Company are transferred to the WFOE (or such other person designated by the WFOE). The term of the Loan is not extendable. The interests of the Loan (the “**Interests**”) shall be all dividends, any other income and other distributable profits of the Operating Company yet to be distributed during the term of the Loan. The principal of the Loan and all outstanding Interests shall be repaid by the Registered Shareholders to the WFOE upon the end of the term of the Loan by a one-off repayment. The only source of fund for the repayment shall be the consideration of the transfer of the Registered Shareholders’ respective equity interests in the Operating Company to the WFOE (or such other person designated by the WFOE). The Registered Shareholders further agreed to enter into the Share Pledge Agreement (as defined below) to pledge all of their equity interests in the Operating Company to the WFOE as security for the Loan.

Exclusive Call Option and Cooperation Agreement

The WFOE, the Operating Company and the Registered Shareholders entered into an exclusive call option and cooperation agreement (the “**Exclusive Call Option and Cooperation Agreement**”) on 15 December 2021 pursuant to which the WFOE (or an individual, company, joint venture, partnership, enterprise, trust or non-corporate organization designated by the WFOE, the “**designee**”) is granted an irrevocable and exclusive right to, when the relevant PRC laws and regulations permit, purchase (i) all or part of the Registered Shareholders’ equity interests in the Operating Company; or (ii) all or part of the assets of the Operating Company, in consideration of the option exercise price (the “**Option Exercise Price**”). If the WFOE (or its designee) purchases all of the equity interests of the Registered Shareholders in the Operating Company or all of the assets of the Operating Company, the Option Exercise Price shall be the principal amount of the Loan and the Interests as provided in the Loan Agreement. If the WFOE (or its designee) purchases part of the equity interests of the Registered Shareholders in the Operating Company or part of the assets of the Operating Company, the Option Exercise Price shall be determined on a pro-rata basis. If the then PRC laws impose any mandatory or applicable rules on the Option Exercise Price, the Option Exercise Price shall be the lowest amount under such requirement. Upon the WFOE’s request to exercise the call option, the Registered Shareholders shall, to the extent permitted under the PRC laws, promptly and unconditionally transfer their equity interests in the Operating Company to the WFOE (or its designee). The Registered Shareholders shall, to the extent permitted under the then PRC laws, return to the WFOE the Option Exercise Price paid by the WFOE in connection with the exercise of the call option.

Pursuant to the Exclusive Call Option and Cooperation Agreement, in the event that the Operating Company requires funding for its operation, the WFOE shall, or procure its affiliates to, provide financial assistance to the Operating Company as permitted under the PRC laws.

In order to prevent the flow of assets and value of the Operating Company to the Registered Shareholders, the Registered Shareholders covenants that, during the term of the Exclusive Call Option and Cooperation Agreement, without prior consent of the WFOE, they shall not sell, transfer, pledge or otherwise dispose of any of their legal and beneficial interests in the Operating Company or allow any encumbrance thereon, save for the equity pledge over the equity interests in the Operating Company granted by the Registered Shareholders in favour of the WFOE pursuant to the Share Pledge Agreement.

Exclusive Strategic Consultation Service Agreement

The WFOE and the Operating Company entered into an exclusive strategic consultation service agreement (the “**Exclusive Strategic Consultation Service Agreement**”) on 15 December 2021 pursuant to which the WFOE agreed to provide and the Operating Company agreed to accept, strategic consultation service (including brand licensing service, industry dynamics analysis and tracking service, marketing and marketing planning service, other related consultation service and other expanded strategic services) in relation to the Principal Business of the Operating Company for the service fees. The service fees shall be determined based on the manpower and time spent by the WFOE in providing the said consultation service, but in any event, the WFOE is entitled to request the Operating Company to pay the service fees in the amount equal to all or most of the revenue of the Operating Company after deducting the operational costs agreed by both parties. The Exclusive Strategic Consultation Service Agreement has an initial term of ten (10) years, subject to automatic renewal upon the expiry of the initial term for another one (1) year each time until the Exclusive Strategic Consultation Service Agreement is terminated pursuant to the terms thereof.

Technology Support Service Agreement

The WFOE and the Operating Company entered into a technology support service agreement (the “**Technology Support Service Agreement**”) on 15 December 2021 pursuant to which the WFOE agreed to provide and the Operating Company agreed to accept, technology support service (including comprehensive solutions relating to information technology, daily management and maintenance of hardware equipment and database, training to professional technicians, assistance to technical information collection and research, authorisation and licensing service for intellectual property rights including, trademark, copyright and brand relating to the Principal Business and any other related technology support services required by the Operating Company from time to time) in relation to the Principal Business of the Operating Company to the extent permitted by the PRC laws for the service fees. The service fees shall be determined based on the manpower and time spent by the WFOE in providing the technology support service, but in any event, the WFOE is entitled to request the Operating Company to pay the service fees in the amount equal to all or most of the revenue of the Operating Company after deducting the operational costs agreed by the parties. The Technology Support Service Agreement has an initial term of ten (10) years, subject to automatic renewal upon the expiry of the initial term for another one (1) year each time until the Technology Support Service Agreement is terminated pursuant to the terms thereof.

Share Pledge Agreement

The WFOE, the Operating Company and the Registered Shareholders entered into a share pledge agreement (the “**Share Pledge Agreement**”) on 15 December 2021 pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in the Operating Company to the WFOE as collateral security to secure the performance of obligations and repayment of debts owed by the Operating Company to the WFOE under the VIE Agreements, including but not limited to the service fees payable by the Operating Company under the Exclusive Strategic Consultation Service Agreement and the Technology Support Service Agreement. The Share Pledge Agreement may only be terminated until the Operating Company has fully and completely performed its obligations and repaid the Loan under the VIE Agreements. The Share Pledge Agreement is in the process of registration with the competent PRC authority pursuant to the relevant PRC laws and regulations.

Power of Attorney

Each of the Registered Shareholders executed an irrevocable power of attorney (the “**Power of Attorney**”) on 15 December 2021 pursuant to which the Registered Shareholders irrevocably appoint the WFOE (or its liquidator (if any) or such other person designated by the WFOE) as their sole and exclusive attorney to act on their behalves on all matters concerning their rights as the shareholders of the Operating Company and to exercise all their rights as the registered shareholders of the Operating Company. These rights include but not limited to (a) the right to convene and attend shareholders’ meetings; (b) the right to exercise shareholders’ voting rights on matters requiring shareholders to discuss and resolve in a shareholders’ meeting pursuant to the relevant laws and regulations and the Operating Company’s Articles (including but not limited to the sale, transfer, pledge or disposal of all or part of the Registered Shareholders’ equity interests in the Operating Company and the designation and election of the legal representative, director, supervisor, the general manager and other senior management members that are to be appointed by shareholders); (c) the right to exercise all other shareholders’ voting rights as provided under all relevant laws, regulations, administrative rules, local regulations and all other legally binding guidelines of the PRC; (d) the right to appoint liquidator(s) to exercise all of the rights of the Registered Shareholders and to seize the Operating Company’s assets upon winding-up of the Operating Company for the benefit of the WFOE or creditors; (e) the right to file any documents with relevant regulatory authorities (including the companies registry) for all necessary registrations and filings; and (f) the right to exercise all voting rights under the Operating Company’s Articles (including all voting rights under the amended Operating Company’s Articles). As a result of the VIE Agreements, including the Power of Attorney, the ACEG, through the WFOE, is able to exercise full control over the Operating Company including management control over the activities that may significantly impact the economic performance of the Operating Company.

Spouse Undertaking

The spouse (“**Ms. Wu**”) of Mr. Chen, one of the Registered Shareholders, executed an unconditional and irrevocable undertaking (the “**Spouse Undertaking**”) on 15 December 2021. Pursuant to the Spouse Undertaking, Ms. Wu, among other things, confirmed and undertook the following:

- (i) Ms. Wu shall have no interest in any of Mr. Chen’s equity interests in the Operating Company (“**Mr. Chen’s Equity Interests**”) and such equity interests are personal properties of Mr. Chen;
- (ii) Ms. Wu shall not make any claim over Mr. Chen’s Equity Interests, and the performance of, amendment to or termination of the VIE Agreements is not subject to the consent or authorisation of Ms. Wu;
- (iii) Ms. Wu has not participated, is not participating and will not participate in the operation, management, liquidation, dissolution and other matters in relation to the Operating Company for whatever reasons (including the death or bankruptcy of Mr. Chen or in case of divorce) in the capacity of the spouse of Mr. Chen;
- (iv) Ms. Wu shall execute all necessary documents and take all necessary actions to ensure that the VIE Agreements (as amended from time to time) can be properly performed;
- (v) Ms. Wu shall not take any actions with the intention of having any conflicting arrangement with any of the foregoing undertakings, including claiming that Mr. Chen’s Equity Interests constitute common asset between Mr. Chen and her; and
- (vi) none of the undertakings, confirmations, agreements, consents and authorizations will be revoked, prejudiced, invalidated or otherwise be adversely affected by death, loss of or restriction of capacity of the spouse of Mr. Chen, divorce or other similar events.

Mr. Gu, the other Registered Shareholder, does not have a spouse as at the date of this announcement. Hence, no spouse undertaking has been executed in connection Mr. Gu.

Succession

Each of the Exclusive Call Option and Cooperation Agreement, the Power of Attorney and the Share Pledge Agreement provides that its provisions shall be binding on the successors of the Registered Shareholders, as if the successors would be signing parties to it. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Agreements. In case of a breach, the WFOE can enforce its rights against the successors. In addition, the Operating Company is not allowed to assign or novate its rights and obligations under the Exclusive Strategic Consultation Service Agreement, the Technology Support Service Agreement, the Share Pledge Agreement and the Power of Attorney unless with prior written consent of the WFOE.

Potential Conflicts of Interest

The Registered Shareholders may have potential conflict of interest with the Target Company. To mitigate any potential conflict of interest, the Registered Shareholders undertook in the Power of Attorney to irrevocably appoint the WFOE (or such other person designated by the WFOE) as their sole and exclusive attorney to act on their behalves on all matters concerning their rights as the shareholders of the Operating Company and to exercise all their rights as the registered shareholders of the Operating Company. The Registered Shareholders shall have no right to assign or novate any of their rights and obligations under the Power of Attorney to any third parties unless with prior written consent of the WFOE.

Dispute Resolution

Each of the Power of Attorney, the Exclusive Call Option and Cooperation Agreement, the Exclusive Strategic Consultation Service Agreement, the Technology Support Service Agreement, the Share Pledge Agreement, the Loan Agreement and the Spouse Undertaking provides that the parties shall negotiate to resolve the dispute arising from or in connection with VIE Agreements. In the event the parties fail to reach an agreement on the resolution of a dispute within thirty (30) days after the emergence of the relevant dispute, such dispute shall be submitted to the Hong Kong International Arbitration Centre for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Hong Kong, and the language used for arbitration shall be Chinese (Mandarin). The arbitration ruling shall be final and binding on all parties. The arbitrator shall have the right to award remedies over the equity interests in or land assets of the Operating Company, impose injunctive relief (including but not limited to relief in relation to the conduct of business or to compel the transfer of assets) or order the winding up of the Operating Company. The courts of Hong Kong, Bermuda and the PRC should be considered as having jurisdiction for the grant and/or enforcement of the arbitral award and interim remedies against the equity interests or properties of the Operating Company.

However, our PRC Legal Adviser has advised that the arbitral body has no power to grant such injunction relief, nor will it be able to order the winding up of the Operating Company pursuant to the current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and Bermuda may not be recognizable under the current PRC laws.

Internal Control

In order to have effective control over and to safeguard the assets of the Operating Company, the following internal control measures have been put in place:

- (i) pursuant to the Exclusive Call Option and Cooperation Agreement, the Registered Shareholders and the Operating Company (i) shall not, unless with prior consent of the WFOE, sell, transfer, pledge or otherwise dispose of the assets of the Operating Company or allow any encumbrance thereon; and (ii) shall operate the Operating Company's business activities in a prudent and effective manner according to the good financial and business standards and maintain asset value of the Operating Company; and

- (ii) pursuant to the Power of Attorney, the WFOE has the right to obtain information of the Operating Company in relation to its operation, business, clients, financial information and employees.

Termination

Each of the Exclusive Strategic Consultation Service Agreement and the Technology Support Service Agreement has an initial term of ten (10) years, subject to automatic renewal upon expiry of the initial term for another one (1) year each time unless the WFOE gives thirty (30) days' written notice to the Operating Company to inform otherwise. For the avoidance of doubt, the Operating Company does not have the right to terminate the Exclusive Strategic Consultation Service Agreement nor the Technology Support Service Agreement.

The Exclusive Call Option and Cooperation Agreement may be terminated at the option of the WFOE by giving thirty (30) days' notice to the other parties or by all parties' consent.

The Power of Attorney may be terminated (i) once the WFOE holds the entire equity interests in the Operating Company; (ii) at the option of the WFOE by giving thirty (30) days' notice to other parties; or (iii) by all parties' consent.

The Share Pledge Agreement may only be terminated until the Operating Company has fully and completely performed its obligations and repaid the Loan under the VIE Agreements.

No party shall have the right to terminate the Loan Agreement unilaterally. The Loan Agreement may only be terminated upon unanimous consent of the parties thereto.

Loss Sharing

Pursuant to the Exclusive Call Option and Cooperation Agreement, in the event that the Operating Company requires funding for its operation, the WFOE shall, or procure its affiliates to, provide financial assistance to the Operating Company as permitted under the PRC laws.

Legality of the VIE Agreements

Our PRC Legal Adviser is of the opinion that:

- (i) each of the VIE Agreements is not deemed as “concealing illegal intentions with a lawful form” and void under the PRC Contract Law (《中華人民共和國合同法》), and subsequent to the expiration of the PRC Contract Law and the Civil Code of PRC (《中華人民共和國民法典》) being effective since 1 January 2021, is not deemed as void under applicable PRC laws and regulations currently in effect;
- (ii) each of the VIE Agreements does not result in violation of any applicable PRC laws and regulations currently in effect, and is legal, valid and binding on the parties thereto under applicable PRC laws and regulations currently in effect, except that: (1) the arbitral body has no power to grant injunctive relief or order the winding-up of the Operating Company pursuant to current PRC laws and regulations; and (2) interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and Bermuda may not be recognizable or enforceable under the current PRC laws and regulations; and
- (iii) the VIE Agreements do not require any approvals from the PRC governmental authorities, except that: (1) the exercise of the option by our WFOE of their rights under the Exclusive Call Option and Cooperation Agreement to acquire all or part of the equity interests in the Operating Company are subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities; (2) the pledges under the Share Pledge Agreement is required to be registered with the competent administration bureau for market regulation; and (3) the arbitration awards/ interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement.

Additionally, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities or courts will not in the future take a view that is contrary to the above opinion of our PRC Legal Adviser. It is uncertain whether any new PRC laws and regulations relating to contractual arrangements will be adopted, or if adopted, what the laws and regulations would provide.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as of the date of this announcement, none of the Target Company and the ACEG Group Company has encountered any interference from any governing bodies in operating its business through the Operating Company under the VIE Agreements.

BOARD'S VIEW ON THE VIE AGREEMENTS

Based on the above, the Board is of the view that the Contractual Arrangements are put in place to achieve ACEG Group's business purpose and to minimize the potential conflicts with and are enforceable under the relevant PRC laws and regulations. The Contractual Arrangements have allowed ACEG Group to exercise full control over the Operating Company and consolidate the financial results of the Operating Company into the accounts of ACEG Group as if it were a subsidiary of ACEG Group.

Given the Company will not, through the Target Company, obtain a majority control of ACEG Group upon Completion, it is not in a position to require ACEG Group to reorganize its existing Contractual Arrangements. However, the Company will monitor the development of the relevant PRC laws and regulations on the prohibition of foreign investment in the entertainment and culture industry and work closely with ACEG Group to take all reasonable steps to comply with the other requirements or unwind the VIE Agreements to the extent possible and practicable under the relevant PRC laws and regulations.

RISKS RELATING TO THE VIE AGREEMENTS

Substantial uncertainties exist with respect to the interpretation and implementation of the PRC laws and regulations and how it may impact the viability of the current corporate structure, corporate governance and business operations

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and has taken effect on 1 January 2020 and became the legal foundation for foreign investment in the PRC. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Adviser, except for those disclosed in the section "Legality of the VIE Agreements", since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the VIE Agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, as further advised by our PRC Legal Adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities or courts will not in the future take a view that is contrary to the above opinion of our PRC Legal Adviser. It is uncertain whether any new PRC laws and regulations relating to contractual arrangements will be adopted, or if adopted, what the laws and regulations would provide. On 6 July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "**6 July Opinion**"), which called for the enhanced administration and supervision of overseas-listed China-based companies (中概股公司), proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the date of this announcement, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the 6 July Opinion, including on China-based companies with a VIE structure. In addition, there can be no assurance that new rules or regulations promulgated in the future pursuant to the 6 July Opinion will not impose any additional requirements.

In the extreme case scenario, ACEG Group may be required by the PRC regulatory authorities to unwind the VIE Agreements and/or dispose of the Operating Company, which could have a material and adverse effect on the business, financial condition and result of operations of ACEG Group and the Group.

In the event that the development of the applicable PRC laws has a material impact on ACEG Group or the business of the Operating Company, the Company will publish announcements as and when appropriate.

Economic risks the WFOE bears as the primary beneficiary of the Operating Company, financial support to the Operating Company and potential exposure of the Group to losses

As the primary beneficiary of the Operating Company, the WFOE will share both profit and loss of the Operating Company and bear economic risks which may arise from the operation of the Operating Company. The WFOE will have to provide financial support to the Operating Company if the Operating Company requires funding for its operation. As set out in the section headed “Information of the Target Company and ACEG Group” in this announcement, although the Target Company is only interested in 38% of the issued share capital of ACEG, the financial results of ACEG Group will not be consolidated into the consolidated financial statements of the Group upon Completion, the Company’s interests in ACEG Group will be accounted for using equity method of accounting in the consolidated financial statements of the Group. Accordingly, the Group’s financial results and financial position may be adversely affected by the worsening financial performance of the Operating Company and the need for the WFOE to provide financial support to it.

The WFOE may incur substantial cost upon exercise of the option to acquire the equity interests of the Registered Shareholders in the Operating Company or assets of the Operating Company

Under the Exclusive Call Option and Cooperation Agreement, the WFOE (or its designee) is granted an irrevocable and exclusive right to, when the relevant PRC laws and regulations permit, purchase from the Registered Shareholders (i) all or part of their equity interests in the Operating Company; or (ii) all or part of the assets of the Operating Company, for the Option Exercise Price. In the event that the relevant PRC authorities determine that the Option Exercise Price is below the market value, the WFOE (or its designee) may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect the business, financial condition and results of operations of ACEG Group and the Group.

ACEG Group relies on the Contractual Arrangements with Operating Company and the Registered Shareholders to control and obtain economic benefits of the Operating Company, which may not be as effective in providing operational control as direct ownership

The Contractual Arrangements may not provide control as effective as direct ownership. Under the Contractual Arrangements, ACEG Group will have to rely on the WFOE's rights under the VIE Agreements to effect changes in the management of the Operating Company and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If the Operating Company or the Registered Shareholders refuse to cooperate, ACEG Group will face difficulties in effecting control over the Operating Company through the Contractual Arrangements, which may adversely affect the beneficial interests of ACEG Group.

Potential conflicts of interest between the Registered Shareholders and ACEG Group may exist

The Registered Shareholders are the legal owners of the Operating Company and their interests may differ from those of ACEG Group and the Group as a whole. The Company cannot assure the Shareholders that when there is any conflict of interest, the Registered Shareholders will act in the best interests of ACEG Group and the Group as a whole or that such conflicts will be resolved in favour of ACEG Group or the Group. Although there are provisions under the Power of Attorney to prevent those situations, and the Registered Shareholders may breach or cause the Operating Company to breach the VIE Agreements. If ACEG Group and the Registered Shareholders fail to resolve this amicably through negotiations, ACEG Group may have to resort to arbitration which could result in disruption to its business and the Group is subject to uncertainty as to the outcome of such arbitration.

The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

Under the PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. ACEG Group could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements under the VIE Agreements do not represent arm's length negotiations and consequently adjust the income and expenses of the WFOE for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect ACEG Group's financial position by increasing the relevant tax liabilities of the WFOE without reducing the tax liabilities of the Operating Company. In addition, the PRC tax authorities may impose late payment fees and other penalties on the WFOE for any unpaid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on ACEG Group's financial position and results of operations.

ACEG Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder

The insurance of ACEG Group does not cover the risks relating to the VIE Agreements and the transactions contemplated thereunder and ACEG Group has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Agreements in the future, such as those affecting the enforceability of the VIE Agreements and the transactions contemplated thereunder and the operation of ACEG Group, the results of ACEG Group may be adversely affected. However, ACEG Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, as mentioned above, there are relevant internal control measures to reduce the operational risk.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As Completion of the Share Purchase Agreement is subject to the fulfilment and/or waiver of the Conditions Precedent, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s). This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

DEFINITIONS

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

“ACEG”	Asia Culture and Entertainment Group, a company incorporated under the laws of the Cayman Islands with limited liability;
“ACEG Group”	ACEG, the direct and indirect subsidiaries of ACEG and VIE(s) controlled by ACEG from time to time (for the avoidance of doubt, including the Operating Company) and “ACEG Group Company” means any of them;
“ACEG Shares”	the ordinary shares of US\$0.0001 each in the share capital of ACEG;
“Acquisition”	the acquisition of the Sales Shares by the Company;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday) on which the banks are open for general business in Hong Kong and the PRC;
“Company”	Starlight Culture Entertainment Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1159);
“Completion”	the completion of the sale and purchase of the Sale Shares;
“Completion Date”	the date of the Completion, being the date falling on the fifth (5th) Business Days after the fulfilment or waiver of the Conditions Precedent, or such other date as agreed between the Seller and the Company;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“Consideration”	HK\$133,000,000, being the consideration of Acquisition, to be settled by way of allotment and issue of the Consideration Shares by the Company to the Seller (or its nominee) on the Completion Date;
“Consideration Shares”	80,606,061 new Shares to be allotted and issued to the Seller (or its nominee) at the Issue Price for the Acquisition pursuant to the terms and conditions of the Share Purchase Agreement;
“Contractual Arrangements”	the contractual arrangements among the WFOE, the Operating Company and the Registered Shareholder as governed by the VIE Agreements, through which the financial results of the Operating Company are consolidated with the financial results of ACEG Group;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted, at the annual general meeting of the Company held on 23 June 2021, to the Directors to exercise all the powers to the Company to allot and issue up to 20% of the total number of Shares on the date of passing such resolution;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Issue Price”	the issue price of HK\$1.65 for each Consideration Share;
“KRW”	South Korea Won, the lawful currency of the Republic of Korea;
“Latest Practicable Date”	8 December 2021;

“Last Trading Day”	15 December 2021, being the last trading day of the Shares immediately prior to the release of this announcement;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“MOFCOM”	the Ministry of Commerce of the PRC;
“NDRC”	the National Development and Reform Commission of the PRC;
“Operating Company”	上海尚越文化發展有限公司 (Shanghai Shangyue Cultural Development Company*), a company incorporated under the laws of the PRC with limited liability;
“P/S ratio”	price-to-sales ratio; the ratio that measures a company’s share price relative to its sales per share;
“PRC”	the People’s Republic of China, for the purpose of this announcement, not including Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Principal Business”	the principal business of the Operating Company, being cultural and artistic exchange activity planning, enterprise marketing planning and performance management service;
“Registered Shareholders”	Mr. Chen Jiansheng and Mr. Gu Li Wei, each a PRC national, holding 99% and 1% equity interests in the Operating Company respectively;
“RMB”	Renminbi, the lawful currency of the PRC;
“Seller”	Crescent Investment Company Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability;

“Share Purchase Agreement”	a share purchase agreement dated 15 December 2021 entered into between the Company and the Seller in relation to the sale and purchase of the Sale Shares;
“Sale Shares”	1 ordinary share of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement;
“SFO”	Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong;
“Shareholder(s)”	holder(s) of Share(s);
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Serensight Investment Company Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability;
“US\$”	the lawful currency of the United States;
“VIE”	any variable interest entity incorporated under the laws of the PRC which is a party to or governed by structured contracts;

“VIE Agreements”	a series of structured contracts entered by and among the WFOE, the Operating Company and the Registered Shareholders (as the case may be) that will allow the WFOE to exercise control over the operations of the Operating Company and enjoy the economic benefits generated by the Operating Company via the Contractual Arrangements, including the Exclusive Call Option and Cooperation Agreement, the Exclusive Strategic Consultation Service Agreement, the Technology Support Service Agreement, the Share Pledge Agreement, the Power of Attorney, the Spouse Undertaking and the Loan Agreement;
“WFOE”	上海艾愷文化傳媒有限公司 (Shanghai Aikai Cultural Media Company*), a company incorporated under the laws of the PRC with limited liability;
“%”	per cent.

By Order of the Board
Starlight Culture Entertainment Group Limited
Mr. Tang Liang
Chairman

Hong Kong, 15 December 2021

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Tang Liang, Mr. Chau Chit, Mr. Luo Lei, Mr. Zhou Jingbo, Mr. Sang Kangqiao and Ms. Wu Xiaoli; and three independent non-executive directors, namely Mr. Wong Wai Kwan, Mr. Michael Ngai Ming Tak, and Mr. Jing Xufeng.

* for identification purpose only