

EXECUTION

KYOSEI BANK CO., LTD.
(the "Investor")

AND

CA CULTURAL TECHNOLOGY GROUP LIMITED
(華夏文化科技集團有限公司)
(the "Company", together with its subsidiaries, the "Group")

TERM SHEET

The following Parties have reached agreement in principle, subject to contract, in respect of the proposed debt restructuring of the Company and the proposed issuance of new ordinary shares of the Company on the following principal terms and conditions.

1. Parties:
- (1) The Company: CA Cultural Technology Group Limited (華夏文化科技集團有限公司), a company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"), stock code 1566; and
 - (2) The Investor: Kyosei Bank Co., Ltd., a company incorporated under the laws of Japan.

(the Company and the Investor are collectively referred to as the "**Parties**").

2. Proposed Restructuring: It is contemplated that the proposed debt restructuring of the Company (the "**Proposed Restructuring**") will comprise the following actions:

- (1) Subscription of New Shares
 - (a) The Investor shall agree to provide a funding of HK\$230,000,000 (the "**Proceeds**") to subscribe for the new ordinary shares to be allotted and issued by the Company (the "**Subscription Shares**"), representing approximately 92% of the issued shares of the Company as enlarged by the Subscription Shares (the "**Enlarged Issued Shares**").

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- (b) The subscription price of the Subscription Shares shall be HK\$0.17 per share (after the Capital Restructuring).
- (c) For the settlement of the whole or parts of the debts due from the Company to its creditors, the Investor will assign such portion of the Subscription Shares amounting approximately to 4% of the Enlarged Issued Shares (the "**Scheme Shares**") and cash of HK\$160,000,000 (the "**Scheme Cash**") from the Proceeds to the Creditors' Scheme (as defined below) of the Company. For the avoidance of doubt, the Investor will not be entitled to any interest in or rights derived from the debts settled in consideration of the assignment of the Scheme Shares as provided above, by reason of subrogation or otherwise.
- (d) The Parties acknowledge that JPY3,520,000,000 has been deposited by the Investor in the bank account (account number: 001-2514196) maintained in the MUFG Bank, Ltd., and is being held in escrow for the purpose of settling the consideration for the subscription of the Subscription Shares. The Parties have agreed that the deposited amount of JPY is equivalent to the amount of the Proceeds at HK\$230,000,000.

The above deposited fund will be converted into Hong Kong dollars upon completion of the subscription. The Investor shall be entitled to refund of any surplus of the Proceeds and be liable to pay an additional amount to make up the shortfall of the Proceeds after the conversion from JPY to Hong Kong dollar.

(2) Subscription of Convertible Bond

- (a) The Investor shall agree to subscribe for principal amount of HK\$25,000,000 of convertible bond which will be issued by the Company (the "**Convertible Bond**").

Being a part of the Proposed Restructuring, the completion of the subscription of the Convertible Bond will be carried out simultaneously with the

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completion of the other parts of the Proposed Restructuring.

- (b) The Convertible Bond shall:
- (i) be a zero coupon convertible bond;
 - (ii) be due 3 years from the date of issue of the Convertible Bond;
 - (iii) be convertible at the conversion price of HK\$0.17 per conversion share (after the Capital Restructuring) (the "**Conversion Share(s)**"); and
 - (iv) be freely transferable, subject to restricted transfer period as designated by the Company.
- (c) The Investor shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bond into ordinary shares of the Company to the extent that immediately after such conversion there will not be sufficient public float of the shares of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (i.e. not less than 25% of the then total number of issued shares of the Company are being held in public hands).
- (3) Scheme of Arrangement (the "**Creditors' Scheme**")
- (a) Creditors' Scheme is expected to be initiated by the Company to clean up its liabilities;
 - (b) the Scheme Shares shall be allotted and issued by the Company and assigned by the Investor to the Creditors' Scheme; and
 - (c) upon completion of the Creditors' Schemes, the Scheme Cash and the Scheme Shares will be used to settle all the debts due to its creditors under the Creditors' Scheme.

(4) Management shares

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The Investor will assign, at nil consideration, such portion of the Subscription Shares amounting to approximately 13% of the Enlarged Issued Shares (the "**Management Shares**") to 5 members of the Company's management team, who shall not be the former or existing directors of the Company and its subsidiaries. The shareholding acquired by such management members pursuant to this paragraph shall be subject to certain lock-up period to be decided by the Company.

(5) Capital restructuring

To facilitate the Scheme of Arrangement, the Company shall conduct (i) share consolidation, by which every 10 issued and unissued shares of par value of HK\$0.1 each in the share capital of the Company will be consolidated into one consolidated share of par value of HK\$1 each; and (ii) the reduction of the issued share capital of the Company by reducing the par value of each issued consolidated share from HK\$1 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.99 per issued consolidated share (the "**Capital Restructuring**").

3. Shareholding:

Upon the completion of the Proposed Restructuring (without taking into account the Conversion Shares which may be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bond), it is expected that :

- (1) The number of the Enlarged Issued Shares will be 1,471,145,376;
- (2) 1,102,846,463 shares representing approximately 75% of the Enlarged Issued Shares will be owned by the Investor;
- (3) 58,845,815 shares representing approximately 4% of the Enlarged Issued Shares will be assigned to the Creditors' Scheme for the benefit of the creditors of

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the Company;

- (4) 191,248,898 shares representing approximately 13% of the Enlarged Issued Shares, being the Management Shares will be held by the relevant members of the Company's management team; and
- (5) 118,204,200 shares representing approximately 8% of the Enlarged Issued Shares will be owned by the original shareholders of the Company, assuming no transfer of shares will have been made by them.

4. Use of Proceeds:

The Proceeds will be utilised in the following manner:

- (1) approximately HK\$160,000,000, being the Scheme Cash, will be utilised to settle the cash consideration for the Creditors' Scheme; and
- (2) the residual of the Proceeds will be utilised as working capital of the Company.

It is expected that with the injection of additional working capital, being the residual of the Proceeds, to the Company, the business operation of the subsidiaries of the Company can be stabilised and the Company can avoid the forced sale of its assets due to the current winding up petition.

5. Management of the Group:

There shall be no change in the directors and members of the senior management of the following subsidiaries of the Company from the date of this Term Sheet, unless otherwise agreed:

- (a) China Animation Group Limited;
- (b) China Theme Park Limited;
- (c) Network China Technology Limited; and
- (d) Animate China Technology Limited.

6. Conditions precedent:

Completion of the Proposed Restructuring shall be conditional upon satisfaction of the following conditions:

- (1) the Listing Committee of HKSE having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the

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Investor) the listing of and permission to deal in the Subscription Shares and the Conversion Shares;

- (2) a whitewash waiver having been granted by the Securities and Futures Commission and the satisfaction of any conditions attached thereto, if any;
- (3) the special deals between the Company and its existing shareholder(s) derived from the transactions under the Definitive Agreement (if any) having been approved by the Securities and Futures Commission and the satisfaction of any conditions attached thereto, if any;
- (4) resolutions in relation to the Definitive Agreement (as defined below) and the transactions contemplated thereunder (including any transaction constituting a special deal between the Company and its existing shareholder), shall have been duly passed by the shareholders of the Company in general meeting and all other consents and acts required under the Listing Rules having been obtained and completed;
- (5) resolutions in relation to the Definitive Agreement and the transactions contemplated thereunder (including any transaction constituting a special deal between the Company and its existing shareholder) having been duly passed by the board of directors of the Company;
- (6) resolutions in relation to approval of whitewash waiver having been duly passed by the shareholders of the Company in general meeting;
- (7) completion of the Capital Restructuring; and
- (8) the Creditors' Scheme having become effective.

7. Definitive Agreement:

After signing of this Term Sheet, the Parties shall negotiate in good faith the terms of the formal definitive agreement (the "**Definitive Agreement**") between the Parties reflecting the terms and conditions of the Proposed Restructuring as set forth herein to the extent applicable and enter into the Definitive Agreement on or before 31 March 2023 or such later date as the Parties may from time to time agree in writing (the "**Longstop Date**").

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8. Legal status of this Term Sheet: This Term Sheet is legally binding on the Parties. This Term Sheet is also intended to set out the in-principle understanding of the Parties with regard to the Proposed Restructuring of the Company and to form the basis for the execution of the Definitive Agreement.
9. Confidentiality: Unless with the express prior written consent of the Company, the Investor agrees not to disclose the content of this Term Sheet to any person(s) other than to its affiliates, advisors, consultants, attorneys and other representatives involved in this transaction on a need-to-know basis.
- The Parties acknowledge that the content of this Term Sheet will be disclosed by the Company in its announcement(s) pursuant to the requirements under the Listing Rules. Save as the aforesaid condition, if any of the Parties are required by the HKSE, other regulatory authority, court of competent jurisdiction, the Listing Rules, rules of any regulatory authority, applicable laws or order of any court of competent jurisdiction to make any disclosure in relation to this Term Sheet, the disclosing party shall notify the other parties prior to making any such disclosure, unless it is prohibited by the law.
10. Counterpart: This Term Sheet may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.
11. Governing Law: This Term Sheet is governed by and shall be construed in accordance with the Law of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**") and the Parties hereby submit to the non-exclusive jurisdiction of the Hong Kong Courts.

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Agreed and accepted by:

For and on behalf of
CA Cultural Technology Group Limited
(華夏文化科技集團有限公司)



Name: Chong Heung Chung Jason

Position: Director


Date: 12-Dec-2022



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Agreed and accepted by:

For and on behalf of
Kyosei Bank Co., Ltd.



Name: Yanase Kenichi
Position: President
Date: 12-Dec-2022