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Jiyi Household International Holdings Limited
集一家居國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1495)

DISCLOSEABLE TRANSACTION – MOVIE INVESTMENT – ACQUISITION OF 51% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE AGREEMENT

On 19 February 2019 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor, the Target Company and the Agent entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell an aggregate of 510 shares, representing 51% of the issued shares of the Target Company, at an aggregate consideration of HK$54,366,000. The Target Assets of the Target Company include the Income Right of the Movie and the Right of First Refusal of the income right of another three movies and media projects.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements.

On 19 February 2019 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor, the Target Company and the Agent entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell an aggregate of 510 shares, representing 51% of the issued shares of the Target Company, at an aggregate consideration of HK$54,366,000. The Acquisition consists of a two-step purchase and sales, including the purchase and sale of (i) 200 issued shares of the Target Company at a consideration of HK$21,320,000; and (ii) 310 issued shares of the Target Company at a consideration of HK$33,046,000, subject to the terms and conditions as specified in the Agreement.

A summary of the principal terms of the Agreement is set out below:

THE AGREEMENT

Date: 19 February 2019 (after trading hours)

Parties: Jiyi Entertainment Limited（集一影視投資有限公司）, a wholly owned subsidiary of the Company, as Purchaser;

Xinbao Culture Media Limited（信寶文化傳媒有限公司）, as Vendor;

Xinfeng Culture Media Limited（信豐文化傳媒有限公司）, as Target Company; and

Tourmaline Investment Holding Limited（碧璽投資控股有限公司）, as Agent

As at the date of the Agreement, the Target Company is wholly-owned by the Vendor, and the Vendor is ultimately wholly-owned by Mr. Yiu Yeung Tsang and Mr. Yiting Lu. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Vendor, the Target Company, the Agent and their respective ultimate beneficial owner(s) are Independent Third Parties as of the date of this announcement.

Assets To Be Acquired

The Purchaser will acquire an aggregate of 510 shares of the Target Company from the Vendor, including (i) 20% of the issued shares of the Target Company; and (ii) 31% of the issued shares of the Target Company. The Target Assets of the Target Company include (i) the Income Right of the Movie; and (ii) the Right of First Refusal of the income right of another three movies and media projects.

Consideration

The consideration is HK$54,366,000, which shall be satisfied in cash by the Purchaser to the Vendor in the following manners:

(i) a consideration of HK$21,320,000 payable no later than 28 February 2019 (or on such other date as the Parties may agree in writing), subject to the Purchaser's satisfaction of the due diligence results (which deposit shall be refundable in accordance with the terms set out below under the paragraph headed "Conditions Precedent"); and

(ii) the balance of HK$33,046,000, no later than the seventh Business Day upon the Completion.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor. And with reference to, among other things, (i) the Income Right of the Movie and Right of First Refusal of another three movies and media projects; and (ii) the amounts of production costs, advertising and promotion expenses and finance costs incurred and being incurred for the Target Assets.

Conditions Precedent

Completion is conditional upon the satisfaction or wavier (as the case may be) of the following conditions:

(a) prior to Completion and during the period of Net Movie Income, the Vendor warranted and guaranteed to the Purchaser that the total audited net profit after tax and net cash inflow before dividend paid for the two years ending 31 December 2019 and 2020 of the Target Company should be no less than the Guaranteed Profit and Cashflow (defined hereinafter) and in the event less than the Guaranteed Profit and Cashflow, the Vendor shall compensate the Purchaser such sum calculated as follows within thirty (30) days after the production of the audited financial statement for the year ending 31 December 2020 of the Target Company in the manner set out below under the paragraph headed "Profit Guarantee";

(b) prior to Completion, the Vendor shall provide documentary supporting to the Purchaser showing that the Guaranteed Profit and Cashflow has been achieved;

(c) the guarantors, being Mr. Yiu Yeung Tsang and Mr. Yiting Lu, having entered into the Deed of the Personal Guarantee;

(d) prior to Completion, the Movie shall be shown in PRC, Taiwan and Hong Kong;

(e) prior to Completion, the Target Company shall not distribute any dividends and occur liabilities that will have Material Adverse Effect on the Acquisition;

(f) immediately following the first payment, the Purchaser shall be entitled to appoint 1 member of the board of directors of the Target Company, and upon the Completion, the Purchaser shall be entitled to appoint the majority members of the board of directors of the Target Company;

(g) there having been no occurrence of a Material Adverse Effect to the Vendor on or prior to Completion, and there being no facts, events or circumstances which have come into existence on or prior to the Completion which, individually or in the aggregate, may result in a Material Adverse Effect;

(h) all Authorizations (if any) which are required for the entering into or the performance of obligations under the Agreement by the Vendor having been obtained and all filings with any Authorities and other relevant third parties which are required for the entering into and the implementation of the Agreement having been made and such Authorizations (if any) remaining in full force and effect and there being no statement, notification or intimation of an intention to revoke or not to renew the same having been recorded;

(i) the warranties remaining true and correct in all material respect;

(j) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made against the Target Company prior to Completion, and no legal or regulatory requirements remaining to be satisfied which has the effect of making unlawful or otherwise prohibiting the sale of 51% of the issued shares of the Target Company by the Vendor; and

(k) any other undertakings as agreed by the Parties in writing (as the case may be).

The Purchaser may, in its sole and absolute discretion, waive the condition precedents set out in paragraph (a) to (f) at any time.

If any of the conditions precedent of the Agreement have not been fulfilled, satisfied or, if applicable, waived by 31 December 2021, the Purchaser or the Vendor (as case may be) may terminate the Agreement by notice in writing to the other Party, the refundable deposit of HK$21,320,000 shall be refunded to the Purchaser upon Purchaser's request.

Profit Guarantee

Prior to Completion and during the period of Net Movie Income, the Vendor warranted and guaranteed to the Company that the total audited net profit after tax and net cash inflow before dividend paid for the two years ending 31 December 2019 and 2020 of the Target Company should be no less than HK$180.0 million ("**Guaranteed Profit and Cashflow**") and in the event less than the Guaranteed Profit and Cashflow, the Vendor shall compensate the Purchaser such sum calculated as follows within thirty (30) days after the production of the audited financial statement for the year ending 31 December 2020 of the Target Company: "(Guaranteed Profit and Cashflow – total audited net profit after tax and net cash inflow before dividend paid for the two years ending 31 December 2019 and 2020)*51%)".

Completion

Completion shall take place on the date of Completion, after all the conditions precedent of the Agreement have been fulfilled or waived (if applicable).

Upon Completion, the Income Right will be accounted for as an asset in the consolidated financial statements of the Group.

INFORMATION OF THE VENDOR, THE TARGET COMPANY AND THE TARGET ASSETS

The Vendor is a limited company incorporated under the laws of the British Virgin Islands and is principally engaged in the business of media investment.

The Target Company is a limited company incorporated under the laws of the British Virgin Islands and is owned by the Vendor as at the date of this announcement. As at the date of the Agreement, there is no turnover and profit recorded in the books of the Target Company, and the total valuation provided by the Vendor and is at approximately HK$106.6 million, which are subject to verification under the Purchaser's due diligence review.

The Target Assets consist of

(i) the Income Right, the Movie being "Chizhafengyun*《叱吒風雲》", an upcoming Taiwan film supervised by Jielun Zhou（周杰倫）, directed by Yixian Chen（陳奕先）and acted by, among others, Ling Kun（昆凌）, Youning Cao（曹佑寧）, Yichen Fan (范逸臣) and Youlun Ke (柯有倫), which is planned to be shown in PRC, Hong Kong and Taiwan in around March 2019 and in other areas around the world thereafter; and

(ii) the Right of First Refusal of another three movies and media projects, including "Molukuanghuan*（末路狂歡）", "Huanxiangsanguozhi*（幻想三國誌）", and "Youxiyingxiong*（遊戲英雄）".

REASONS FOR THE ACQUISITION

The Group is principally engaged in the business of sale and distribution of building and home improvement materials and furnishings and provision of interior design and engineering services in the PRC.

As set out in the announcement of the Company dated 16 November 2018, among other things, the Group plans to develop new business in the media, advertising and entertainment industry, and intends to develop and/or invest firms and/or television drama series. The Acquisition involves an investment in the Movie and other movies and media projects, which is in line with the Group's development in the media, entertainment and advertising industry. The Directors consider that the Acquisition would be beneficial to the Group as the Acquisition represents a first step forward in the implementation of the Group's development plan.

The Company has financed part of the consideration payable under the Agreement by the net proceeds from the placing of the new Shares completed on 27 December 2018.

In view of the above, the Directors (including all independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Acquisition"	the proposed acquisition by the Purchaser of the issued shares of the Target Company from the Vendor pursuant to the terms and conditions of the Agreement
"Agent"	Tourmaline Investment Holding Limited, a company incorporated in Hong Kong with limited liability, whose registered office is at 9/F, Amtel Building, No.144-148, Des Voeux Road Central, Hong Kong
"Agreement"	the sale and purchase agreement dated 19 February 2019 entered into between the Purchaser, the Vendor, the Target Company and the Agent in relation to the Acquisition
"Authorities"	any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction, whether supranational, national, regional or local

"Authorisation(s)"	any license, consent, permit, approval, permission, filing, registration, waiver, order, exemption or other authorization, whether public or private
"Business Day"	any day other than (i) Saturday, Sunday or public holiday, or (ii) any day commercial banks must close under the relevant laws and regulations in the PRC or Hong Kong
"Company"	Jiyi Household International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Deed of the Personal Guarantee"	a deed to be executed and delivered by Mr. Yiu Yeung Tsang and Mr. Yiting Lu, the beneficial owners of the Vendor, undertaking with the Purchaser that whenever the Vendor does not perform when due under or in connection with the Agreement, the beneficial owners of the Vendor shall, jointly and severally, immediately on demand perform the relevant obligations as if each of them was the principal obligors, as specified in the Agreement
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollors, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Income Right"	the amounts representing 100.0% of (i) the net income of the Movie from cinemas in the PRC (being the gross box office receipts of the Movie from distribution and screening in cinemas after deduction of the monies payable to National Film Industry Development Special Fund（國家電影事業發展專項基金）, value added tax and surcharges, and the amounts of the gross box office receipts shared by cinemas and cinema circuits); and (ii) the net income of the Movie from cinemas outside the PRC, both after deduction of the production costs (including promotional expenses) of the Movie and the distribution costs for a two (2) years' period
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected person
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Material Adverse Effect"	an effect that is materially adverse (i) to the business, financial condition, results of operations, properties, assets, liabilities or prospects of the business of either Party taken as a whole from time to time, or (ii) to the ability of any of the Parties to perform their respective obligations under the Agreement or any of the other agreements ancillary to the Agreement to which any of the Parties is a party
"Movie"	Chizhafengyun 《叱吒風雲》

"Net Movie Income"	(i) the net income of the Movie from cinemas in the PRC (being the gross box office receipts of the Movie from distribution and screening in cinemas after deduction of the monies payable to National Film Industry Development Special Fund（國家電影事業發展專項基金）, value added tax and surcharges, and the amounts of the gross box office receipts shared by cinemas and cinema circuits); and (ii) the net income of the Movie from cinemas outside the PRC, both after deduction of the production costs (including promotional expenses) of the Movie and the distribution costs
"Parties"	the Purchaser and the Vendor for the purpose of this announcement
"Purchaser"	Jiyi Entertainment Limited（集一影視投資有限公司）, a company incorporated under the laws of Hong Kong, whose registered office is at Room 1405, 14/F, Jubliee Centre, 18 Fenwick Street, Wanchai, Hong Kong
"Right of First Refusal"	a contractual right of the Purchaser, but not the obligation, to acquire certain beneficial interest of the three movies and media projects, including "Molukuanghuan（末路狂歡）", "Huanxiangsanguozhi（幻想三國誌）", and "Youxiyingxiong（遊戲英雄）" before the Vendor or its affiliates can sell any of them to a third party
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Assets"	Income Right of the Movie and the Right of First Refusal of another three movies and media projects

"Target Company"	Xinfeng Culture Media Limited（信豐文化傳媒有限公司）, a company incorporated under the laws of the British Virgin Islands, whose registered office is at Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands, with an issued share capital of US$1,000 of 1,000 shares of US$1.00 each, and is wholly owned by the Vendor
"Vendor"	Xinbao Culture Media Limited（信寶文化傳媒有限公司）, a company incorporated under the laws of the British Virgin Islands whose registered office is at CCS Trustees Limited, Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands
"%"	percent

By order of the Board
Jiyi Household International Holdings Limited
Hou Wei
Chairlady

Hong Kong, 19 February 2019

As at the date of this announcement, Ms. Hou Wei, Mr. Liu Xianxiu and Mr. Yang Baikang are the executive directors of the Company, Mr. Hou Bo is the non-executive director of the Company, and Mr. Ye Yihui, Mr. Ho Hin Yip and Mr. Hou Lianchang are the independent non-executive directors of the Company.

* *for identification purpose only*