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China Bright Culture Group

煜盛文化集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1859)

INSIDE INFORMATION RELATING TO THE ENTERING INTO A STRATEGIC COOPERATION AGREEMENT

This announcement is issued pursuant to Rule 13.09 of the Listing Rules and under Part XIVA of the SFO (Cap. 571).

INTRODUCTION

On 5 January 2023 (after trading hours), the Company entered into the Strategic Cooperation Agreement with the Consultants, pursuant to which the Consultants have agreed to provide the Cooperation Business and the revenue generated by the Cooperation Business are attributable to the Group.

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, none of the Consultants is a connected person of the Company and each of the Consultants is an Independent Third Party as at the date of the Strategic Cooperation Agreement.

Performance Guarantee

Pursuant to the Strategic Cooperation Agreement, the Consultants guarantee that the Cooperation Business generate audited revenue of not less than RMB300 million and audited net profit attributable to equity shareholders of the Company of not less than RMB30 million for the Group in the first year, and the annual increase of the audited revenue and audited net profit attributable to equity shareholders of the Company thereafter shall not be less than 20% during the Cooperation Period. All parties agree that the calculation of the audited revenue and audited net profit attributable to equity shareholders of the Company shall be based on the prevailing effective accounting standards in Hong Kong, China and shall be confirmed based on the audit results reviewed or issued by the auditor appointed by the Group.

Share Issuance

The Company may issue and allot new Shares to the Consultants taking into account the satisfaction of the performance guarantee as set out in the Strategic Cooperation Agreement. The Group and the Consultants will enter into separate supplemental agreements to set out the specific terms and conditions in respect of any issue and allotment of new Shares to the Consultants, if any, and further announcement(s) and approval will be made or obtained by the Company as and when appropriate in compliance with the Listing Rules and other relevant rules and requirements.

In the event that new Shares are to be issued and allotted to the Consultants and subject to the terms and conditions under the supplemental agreements to be entered into between the Group and the Consultants, such new Shares are expected to be allocated among the Consultants as follows: 50.75% to Mr. Zhu Xiaopai (朱蕭湃), 31.25% to Mr. Nie Fei (聶飛), 8% to Ms. Xiao Shuqing (肖淑青), 8% to Mr. Xiao Yueming (肖月明) and 2% to Mr. Wang Jifeng (王計峰).

REASONS FOR AND BENEFITS OF ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT

The Company is an original video content service provider and the Group is principally engaged in development, production, marketing and distribution of video content for media platforms. The Board is of the view that it will be a valuable opportunity for the Group to be able to cooperate with industry expert such as the Consultants to leverage on their network and experience. If such cooperation materialises, it will be in the interests of the Group and the Shareholders as a whole.

During the negotiations with respect to the scope of services and commitments of the Consultants and the terms of the Strategic Cooperation Agreement, the Board has considered the following factors:

(i) Latest industry overview on the video content market in the PRC

The increasing impact of new media on content production industry in the PRC was accelerated by COVID-19 in 2022. In order to maintain a stable cash flow, improve the efficiency of capital turnover and actively grasp the changes in the future development of the industry, the Group entered into strategic cooperation agreements with China Youth Daily Newspaper Office and CCTV Animation Group in 2021, and announced a new project for the construction of a youth cultural data system in the second quarter of 2022, marking the first step in the Group's strategic upgrade and transformation.

The Group is committed to becoming a first-class cultural services group driven by content+industry strategy. Despite that traveling and gathering of people in some cities are still not fully resumed, the Group will accelerate the development and upgrade of its business and focus on three segments: original content production, data content operation and content derivation. In addition to the upstream and downstream extension of the industry chain, the Group believes that the strategic upgrade will give full play to the existing resources of the Group, creating more value for its shareholders.

The Directors are of the view that the industry is prospering and the entering into the Strategic Cooperation Agreement with the Consultants are in line with the Group's business development strategy.

(ii) Background of the Consultants

The Consultants, comprising (i) Mr. Zhu Xiaopai; (ii) Mr. Nie Fei; (iii) Ms. Xiao Shuqing; (iv) Mr. Xiao Yueming; and (v) Mr. Wang Jifeng, accumulated extensive experience in influencer and KOL incubation and online streaming and technology-related industries:

Mr. Zhu Xiaopai served as a general manager in Filavuer (Beijing) Network Technology Co., Ltd. (菲拉薇爾(北京)網絡科技有限公司) from September 2018 to December 2020 and was mainly responsible for overseeing the influencer and KOL agency and online streaming business. Since January 2021, Mr. Zhu Xiaopai has been serving as a deputy general manager in Luokung Technology Corp., a company listed on Nasdaq Global Select Market (ticker symbol: LKCO). Since December 2021, Mr. Zhu Xiaopai has been serving as the chairman of Suzhou Jiaguangle Technology Co., Ltd. (蘇州嘉光樂科技有限公司), a company which primarily provides traffic placement services based on big data artificial intelligence algorithms and analysis.

Mr. Nie Fei was a senior engineer of Contemporary Amperex Technology Co., Limited (寧德時代新能源有限公司) from September 2012 to April 2019. Mr. Nie Fei has been serving as the vice chairman and a planning director in Suzhou Jiaguangle Technology Co., Ltd. since April 2019.

Ms. Xiao Shuqing has over 30 years of experience in video content industry. From May 1991 to November 2021, She worked at Fujian Nanbei Film and Television Production Co., Ltd. (福建省南北影視製作有限公司) and her final position was deputy general manager. Ms. Xiao Shuqing has been serving as an operations director in Suzhou Jiaguangle Technology Co., Ltd. since December 2021.

Mr. Xiao Yueming worked in Actsociety Communication Company Limited (大業創智互動傳媒股份有限公司) from September 2020 to November 2021 and his final position was deputy planning director. Since December 2021, Mr. Xiao Yueming has been serving as a planning director in Suzhou Jiaguangle Technology Co., Ltd..

Mr. Wang Jifeng has more than 20 years of experience in new media industry. He served as a financial director in Adsociety Advertising Agency Limited from September 2002 to December 2010. From January 2011 to August 2020, Mr. Wang Jifeng served as a deputy general manager and secretary of the board of Daye Transmedia Company Limited (大業傳媒集團有限公司). From September 2020 to November 2021, Mr. Wang Jifeng served as a deputy general manager in Beijing Xiaotu Digital Technology Co., Ltd. (北京小土數字科技有限公司). Mr. Wang Jifeng has been serving as a general manager in Suzhou Jiaguangle Technology Co., Ltd. since December 2021.

Given the track record of the Consultants, the Directors are of the view that the Consultants have extensive experience and reputation in the video content industry. As such, the Directors consider that the Cooperation Business provided by the Consultants under the Strategic Cooperation Agreement would generate both financial and strategic values to the Group.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China
“Company”	China Bright Culture Group, an exempted company incorporated in the Cayman Islands with limited liability on 28 May 2019 and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1859)
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consultants”	Mr. Zhu Xiaopai (朱蕭湃), Mr. Wang Jifeng (王計峰), Ms. Xiao Shuqing (肖淑青), Mr. Xiao Yueming (肖月明) and Mr. Nie Fei (聶飛)
“Cooperation Business”	influencer online streaming, corporate network operation, KOL agency, virtual online streaming and other business
“Cooperation Period”	a term of three financial years subsequent to the date of the Strategic Cooperation Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and all of its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons

“KOL”	key opinion leader
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each
“Shareholders”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	the strategic cooperation agreement dated 5 January 2023 entered into by the Company and the Consultants in respect of provision of the Cooperation Business by the Consultants
“%”	per cent

By order of the Board
China Bright Culture Group
Liu Mu
Chairman & Chief Executive Officer

Hong Kong, 5 January 2023

As at the date of this announcement, the Company’s executive Director is Mr. LIU Mu, and independent non-executive Directors are Ms. RAN Hua, Mr. ZHANG Yiwu, Ms. YAO Li and Mr. Yu Xuezhong.

* *For identification purpose only*