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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)

**CONNECTED TRANSACTIONS
PROVISION OF FINANCIAL ASSISTANCE
TO A CONNECTED PERSON**

On 27 September 2021, Mr. Liu (former executive Director, chairman of the Board and chief executive officer of the Company) entered into the Loan Agreement with BRCB in respect of the Loan in the amount of RMB10,000,000. The Loan was secured by the Guarantee provided by the Guarantee Company in favour of BRCB. To secure the Guarantee, Zhongguang Yusheng and Shanghai Yusheng, which were accounted for as subsidiaries of the Company at the time, entered into the Counter-Guarantee Contracts with the Guarantee Company, pursuant to which each of Zhongguang Yusheng and Shanghai Yusheng agreed to provide a counter-guarantee with respect to the obligations of Mr. Liu under the Guarantee. On 4 July 2022 and 21 September 2022, Zhongguang Yusheng entered into the July Receivables Pledge Agreement and the September Receivables Pledge Agreement, respectively, in favour of the Guarantee Company, whereby Zhongguang Yusheng pledged certain receivables to the Guarantee Company to secure the performance of the obligations of Mr. Liu under the Guarantee.

As Mr. Liu was an executive Director, the chief executive officer and a substantial shareholder of the Company at the time of the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement, he was a connected person of the Company when each of the aforementioned agreements were entered into. Accordingly, each of the transactions contemplated under the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the transactions under each of the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement exceeded 0.1% but were less than 5%, the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement were only subject to the reporting and announcement requirements and were exempt from the independent shareholders' approval requirement under the Listing Rules.

INTRODUCTION

On 27 September 2021, Mr. Liu (former executive Director, chairman of the Board and chief executive officer of the Company) entered into the Loan Agreement with BRCB in respect of the Loan in the amount of RMB10,000,000. The Loan was secured by the Guarantee provided by the Guarantee Company in favour of BRCB. To secure the Guarantee, Zhongguang Yusheng and Shanghai Yusheng entered into the Counter-Guarantee Contracts with the Guarantee Company, pursuant to which each of Zhongguang Yusheng and Shanghai Yusheng agreed to provide a counter-guarantee with respect to the obligations of Mr. Liu under the Guarantee. On 4 July 2022 and 21 September 2022, Zhongguang Yusheng entered into the July Receivables Pledge Agreement and the September Receivables Pledge Agreement, respectively, in favour of the Guarantee Company, whereby Zhongguang Yusheng pledged certain receivables to the Guarantee Company to secure the performance of the obligations of Mr. Liu under the Guarantee.

COUNTER-GUARANTEE CONTRACTS

The principal terms of each of the Counter-Guarantee Contracts are summarized as follows ^(Note):

- Date: 27 September 2021
- Parties: (a) Zhongguang Yusheng and Shanghai Yusheng; and
(b) the Guarantee Company

Counter-Guaranteed Obligations: Pursuant to the terms of the Counter-Guarantee Agreement, each of Zhongguang Yusheng and Shanghai Yusheng, as guarantor, agreed to provide a joint liability counter-guarantee for the due performance of the obligations of Mr. Liu under the Guarantee in favour of the Guarantee Company, which shall become enforceable upon the occurrence of an event of default by Mr. Liu under the Guarantee.

Counter-Guaranteed Amount: The total amount repaid by the Guarantee Company, as guarantor, to BRCB in respect of the Loan, together with interest (to be accrued on a daily basis at 0.05% from the date of actual payment by the Guarantee Company to BRCB), penalty, any outstanding guarantee fee, legal costs, and other expenses incurred by the Guarantee Company in fulfillment of the Guarantee.

JULY RECEIVABLES PLEDGE AGREEMENT

The principal terms of the July Receivables Pledge Agreement are summarized as follows ^(Note):

Date: 4 July 2022

Parties: (a) Zhongguang Yusheng; and
(b) the Guarantee Company

Receivables Pledged: Pursuant to the terms of the July Receivables Pledge Agreement, Zhongguang Yusheng pledged certain receivables arising from the TV program “Home Coming from the end of the Yangtze River” (《從長江的盡頭回家》) to the Guarantee Company as counter-guarantee in respect of the obligations of Mr. Liu under the Guarantee. The pledge shall become enforceable upon the occurrence of an event of default by Mr. Liu under the Guarantee.

Counter-Guaranteed Amount: The total amount repaid by the Guarantee Company, as guarantor, to BRCB in respect of the Loan, together with interest (to be accrued on a daily basis at 0.05% from the date of actual payment by the Guarantee Company to BRCB), penalty, any outstanding guarantee fee, legal costs, and other expenses incurred by the Guarantee Company in fulfillment of the Guarantee.

SEPTEMBER RECEIVABLES PLEDGE AGREEMENT

The principal terms of the September Receivables Pledge Agreement are summarized as follows ^(Note):

Date: 21 September 2022

Parties: (a) Zhongguang Yusheng; and
(b) the Guarantee Company

Receivables Pledged: Pursuant to the terms of the September Receivables Pledge Agreement, Zhongguang Yusheng pledged certain receivables arising from the TV Program “The Taste of the People” (《百姓的味道》) as counter-guarantee in respect of the obligations of Mr. Liu under the Guarantee. The pledge shall become enforceable upon the occurrence of an event of default by Mr. Liu under the Guarantee.

Counter-Guaranteed Amount: The total amount repaid by the Guarantee Company, as guarantor, to BRCB in respect of the Loan, together with interest (to be accrued on a daily basis at 0.05% from the date of actual payment by the Guarantee Company to BRCB), penalty, any outstanding guarantee fee, legal costs, and other expenses incurred by the Guarantee Company in fulfillment of the Guarantee.

Note:

Due to several relocations of office and lack of handover procedures with former employees, neither the original nor copy of the Counter-Guarantee Contracts, July Receivables Pledge Agreement and September Receivables Pledge Agreement could be located. Therefore, the current Board is unable to ascertain all the terms of these agreements. The summary of principal terms is based on the particulars set out in an enforcement certificate issued by the Beijing Zhongxin Notary Public Office (北京市中信公證處) in favour of the Guarantee Company.

INFORMATION OF THE PARTIES

Mr. Liu is a former executive Director, chairman of the Board and chief executive officer of the Company, who ceased to be a Director or an employee of the Group on 9 February 2024. As Mr. Liu was a Director and chief executive officer of the company within 12 months from the date of this Announcement and is deemed to be interested in 28.60% of the Shares, Mr. Liu is a connected person of the Group.

Based on the information available to the Directors, the Guarantee Company is a limited liability company incorporated in the PRC, principally engaged in the provision of guarantees in the PRC. It is wholly owned by Beijing Xingzhan State-owned Asset Operation Company* (北京興展國有資產經營公司), which is in turn wholly owned by SASAC of Daxing District, Beijing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantee Company and its ultimate beneficial owners are third parties independent from each of the Group and its connected persons.

Zhongguang Yusheng is a company incorporated with limited liability in the PRC. It was the PRC operating entity of the Group for engaging in the business of production and distribution of TV programs until the termination of the previous contractual arrangements on 14 August 2024, upon which it ceased to be accounted for as a subsidiary of the Company. Please refer to the announcement of the Company dated 14 August 2024 for details.

Shanghai Yusheng is a company incorporated with limited liability in the PRC. It is wholly-owned by Zhongguang Yusheng and was previously accounted for as a subsidiary of the Company until the termination of the previous contractual arrangements on 14 August 2024. It is principally engaged in the production, distribution and operation and release of TV programs and made-for-internet programs.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Upon investigation by the current Board, Mr. Liu appeared to have arranged Zhongguang Yusheng and Shanghai Yusheng to enter into the Counter-Guarantee Contracts, and Zhongguang Yusheng to enter into the July Receivables Pledge Agreement and the September Receivables Pledge Agreement, seemingly without authorization and approval from the then Board. Since Mr. Liu ceased to be a Director or an employee of the Company in February 2024, the current Board is not in a position to ascertain the reasons for and benefits of entering into the aforementioned agreements. Accordingly, the current Directors are unable to opine whether the aforementioned agreements were entered into on normal commercial terms after arm's length negotiation and the terms thereof were fair and reasonable and the transactions contemplated thereunder were in the interests of the Company and the Shareholders as a whole.

Zhongguang Yusheng and Shanghai Yusheng have both ceased to be accounted for as subsidiaries of the Company with effect from 14 August 2024. In addition, the receivables in respect of "Home Coming from the end of the Yangtze River" and "The Taste of the People" were part of the assets disposed to Zhongguang Yusheng as disclosed in the announcement of the Company dated 14 August 2024. As such, the current Group does not have any obligation under the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement, and any financial impact arising therefrom will not be reflected on the Group's financial position from 14 August 2024 onwards.

LISTING RULES IMPLICATIONS

As Mr. Liu was an executive Director, the chief executive officer and a substantial shareholder of the Company at the time of the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement, he was a connected person of the Company when each of the aforementioned agreements were entered into. Accordingly, each of the transactions contemplated under the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the transactions under each of the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement exceeded 0.1% but were less than 5%, the Counter-Guarantee Contracts, the July Receivables Pledge Agreement and the September Receivables Pledge Agreement were only subject to the reporting and announcement requirements and were exempt from the independent shareholders' approval requirement under the Listing Rules.

REMEDIAL ACTIONS

The previous management of the Company failed to disclose the above-mentioned transactions in a timely manner as required under Chapter 14A of the Listing Rules. To prevent similar non-compliance from occurring in the future, the Company has reviewed its internal procedure and has implemented the following remedial actions:

- (a) the Company will provide further guidance materials and training to all responsible staff regarding how to identify a connection transaction and the proper calculation methodology of the percentage ratios relating to connected transactions under the Listing Rules;
- (b) the Company will review, strengthen and continue to monitor its reporting procedure, to ensure any proposed transactions which may constitute connected transactions would be promptly reported to the Board. The Board shall further assess the proposed transactions and ensure the proposed transactions will be conducted in compliance with the applicable requirements under the Listing Rules and the relevant rules and regulations;
- (c) the Company will arrange external advisers to provide ongoing trainings on legal and regulatory requirements applicable to the operations of the Group to the Directors, senior management and relevant employees of the Group;
- (d) the Company will consult its legal advisers prior to any proposed transactions so as to ensure that the Directors' understanding and interpretation of the Listing Rules are correct and the Group timely complies with the relevant requirements under the Listing Rules; and

- (e) the Company has engaged an internal control specialist to monitor the implementation of the remedial actions for the two years ending 31 December 2025.

Going forward, the Company will make sufficient and appropriate disclosure in a timely manner to ensure compliance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company (Stock Code: 1859) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2023 and will remain suspended until the Company fulfils the guidance and additional guidances for the resumption of trading in the shares of the Company on the Stock Exchange. The Company will make further announcement(s) in due course to inform Shareholders and potential investors of any information update.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

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| “SASAC” | the State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會) |
| “Board” | the board of directors of the Company |
| “BRCB” | Beijing Rural Commercial Bank Co., Ltd. Daxing Branch (北京農村商業銀行股份有限公司大興支行) |
| “Company” | China Bright Culture Group, an exempted company incorporated in the Cayman Islands with limited liability on 28 May 2019 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Counter-Guarantee Contracts” | the counter-guarantee contracts between each of Zhongguang Yusheng and Shanghai Yusheng as guarantor and the Guarantee Company as beneficiary dated 27 September 2021 |

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| “Director(s)” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Guarantee” | the guarantee provided by the Guarantee Company in favour of BRCB to guarantee the payment and performance of Mr. Liu under the Loan Agreement dated 27 September 2021 |
| “Guarantee Company” | Beijing Xingzhan Rongda Financing Guarantee Co., Ltd.* (北京興展融達融資擔保有限公司), a limited liability company established under the laws of PRC on 12 March 2007 |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “independent third party(ies)” | person who is not a connected person (as defined in the Listing Rules) of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules) |
| July Receivables Pledge Agreement | the receivables pledge agreement between Zhongguang Yusheng as pledgor and the Guarantee Company as pledgee dated 4 July 2022 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time |
| “Loan” | a loan with a principal amount of RMB10,000,000 to be granted in accordance with the Loan Agreement |
| “Loan Agreement” | the loan agreement dated 27 September 2021 entered into between Mr. Liu and BRCB, pursuant to which BRCB agreed to provide the Loan to Mr. Liu |
| “Mr. Liu” | Mr. Liu Mu (劉牧), former executive Director, chairman of the Board and chief executive officer of the Company, and a current substantial shareholder of the Company |
| “PRC” | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong) |

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| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shanghai Yusheng” | Shanghai Yusheng Culture Co., Ltd.* (上海煜盛文化傳媒有限公司), a limited liability company established under the laws of the PRC on 25 December 2018, and a subsidiary of Zhongguang Yusheng |
| September Receivables Pledge Agreement | the receivables pledge agreement between Zhongguang Yusheng as pledgor and the Guarantee Company as pledgee dated 21 September 2022 |
| “Share(s)” | ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Zhongguang Yusheng” | Sino-Prosperty Culture Group Co., Ltd.* (北京中廣煜盛文化傳播有限公司), a limited liability company incorporated in the PRC on 3 April 2014, and the former PRC operating entity of the Company under the previous contractual arrangements which were terminated with effect from 14 August 2024 |
| “%” | per cent. |

By Order of the Board
China Bright Culture Group
SU Lei
Chairman

Hong Kong, 29 September 2024

As at the date of this announcement, executive Directors are Mr. SU Lei and Mr. MA Hongsen, non-executive Director is Ms. WU Yaping, and independent non-executive Directors are Mr. TO Siu Lun, Mr. HAN Hao and Mr. SHAN Yiqi.

* For identification purpose only.