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Strawbear Entertainment Group

稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2125)

DISCLOSEABLE TRANSACTION DISPOSAL OF 90.1% EQUITY INTEREST IN NOVA FILM

On November 26, 2021 (after trading hours), Jiangsu Strawbear, a consolidated affiliated entity of the Company, the Purchaser, the Guarantors and the Target Company entered into the Share Repurchase Agreement, pursuant to which Jiangsu Strawbear agreed to dispose of and the Purchaser agreed to acquire 90.1% equity interest in the Target Company at a Consideration of RMB14,195,205.48. Upon completion of the Transaction, the Target Company will cease to be a consolidated affiliated entity of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on November 26, 2021 (after trading hours), Jiangsu Strawbear, a consolidated affiliated entity of the Company, the Purchaser, the Guarantors and the Target Company entered into the Share Repurchase Agreement, pursuant to which Jiangsu Strawbear agreed to dispose of and the Purchaser agreed to acquire 90.1% equity interest in the Target Company at a Consideration of RMB14,195,205.48. Upon completion of the Transaction, the Target Company will cease to be a consolidated affiliated entity of the Company.

SHARE REPURCHASE AGREEMENT

The principal terms of the Share Repurchase Agreement are set out as follows:

Date: November 26, 2021

Parties:

- (i) Jiangsu Strawbear (as seller);
- (ii) the Purchaser;
- (iii) the Guarantors; and
- (iv) the Target Company

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser, the Guarantors, and the ultimate beneficial owners of the Purchaser are Independent Third Parties.

Target Equity to be disposed of: Pursuant to the Share Repurchase Agreement, Jiangsu Strawbear agreed to dispose of and the Purchaser agreed to acquire 90.1% equity interest in the Target Company.

Consideration: Pursuant to the Share Repurchase Agreement, the Consideration shall be RMB14,195,205.48.

The Consideration was determined after arm's length negotiation among the parties based on the following formula:

$$P=M+M*10\%*T$$

Where, "P" represents the amount of the Consideration, "M" represents the consideration of RMB12.5 million for acquiring 89% equity interest in the Target Company by Jiangsu Strawbear from Mr. Mi Chunlin, one of the Guarantors (the "**Previous Acquisition**"), and "T" represents the number of calendar days from the date of settlement of the consideration for the Previous Acquisition, namely, June 23, 2020, to the pricing benchmark date of the Consideration, namely, October 31, 2021, divided by 365.

Payment terms:

Subject to the terms and conditions of the Share Repurchase Agreement, the Consideration shall be payable by the Purchaser to Jiangsu Strawbear in cash in the following manner:

- (i) RMB4,731,735.16 shall be paid on or before November 30, 2021;
- (ii) RMB4,731,735.16 shall be paid on or before October 31, 2022; and
- (iii) RMB4,731,735.16 shall be paid on or before October 31, 2023.

Guarantee to be provided by the Guarantors:

The Guarantors shall bear unlimited joint and several liabilities to Jiangsu Strawbear for the payment of the Consideration and relevant taxes.

The Guarantors shall pledge 100% of their respective direct or indirect equity interests in their holding companies, including but not limited to the Purchaser, to Jiangsu Strawbear as guarantee for the payment of the Consideration (the “**Pledged Assets**”). If the Purchaser or the Guarantors invest in or participate in the investment and operations of any new entities before the Consideration is fully settled, the Purchaser and/or the Guarantors shall notify Jiangsu Strawbear and pledge its/their equity interests in such new entities to Jiangsu Strawbear as soon as practicable, otherwise Jiangsu Strawbear shall have the right to demand immediate settlement of the Consideration and execution of the Pledged Assets.

Upon completion of registration procedures in respect of the transfer of the Target Equity, the Purchaser and the Guarantors shall immediately pledge the Target Equity to Jiangsu Strawbear as a supplemental guarantee for payment of the Consideration. If, unless due to force majeure, such supplemental guarantee is not provided within 15 days after the date of completion of registration procedures in respect of the transfer of the Target Equity, Jiangsu Strawbear shall have the right to demand immediate settlement of the Consideration and execution of the Pledged Assets.

Completion:

Completion took place simultaneously upon the signing of the Share Repurchase Agreement.

FINANCIAL IMPACT OF THE TRANSACTION

It is estimated that the Group will record an unaudited gain of approximately RMB3.4 million from the disposal of the Target Equity, which is calculated based on the difference between the aggregate consideration (exclusive of tax) of RMB14,195,205.48 for the Transaction and the estimated unaudited net asset value of the Target Equity as at November 18, 2021 of RMB10.8 million. Such calculation is only an estimate provided for illustrative purpose, which is subject to review and confirmation by the auditors of the Group.

USE OF PROCEEDS FROM THE TRANSACTION

The proceeds from the disposal of the Target Equity will be used for future potential investment opportunities or as general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE REPURCHASE AGREEMENT

Taking into account of the current financial position and unstable business performance of the Target Company and the Group's strategic development plan, the Board considers that the disposal of the Target Equity can streamline the Group's business structure and allow the Group to reallocate resources to its principal business, and will have limited impact on the business operation of the Group. The disposal of the Target Equity also enables the Group to free up capital for its operations and any potential new investment opportunities that may arise in the future.

The Directors (including the independent non-executive Directors) are of the opinion that the Transaction was entered into on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

As none of the Directors has a material interest in the Transaction, no Director is required to abstain from voting on the relevant Board resolution.

GENERAL INFORMATION

Information on the Target Company

The Target Company is a limited liability company established in the PRC in 2012. The Target Company is a film and drama series post-production studio, which is principally engaged in special effects editing and other post-production work for films and drama series.

Upon the completion of the Previous Acquisition, Jiangsu Strawbear held 89% equity interest in the Target Company. On June 23, 2020, the registered capital of the Target Company increased by RMB1 million, which was contributed by Jiangsu Strawbear and have not been fully paid up as of the date of this announcement. Upon the completion of such capital increase, Jiangsu Strawbear's equity interest in the Target Company increased from 89% to 90.1%. As at the date of this announcement, the Target Company is owned as to 90.1% by Jiangsu Strawbear and 9.9% by an individual, being an Independent Third Party.

The unaudited net assets of the Target Company as at June 30, 2021 was RMB10.9 million. The unaudited net profit (both before and after taxation) of the Target Company for the two years ended December 31, 2019 and 2020 were as follows:

	For the year ended December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before taxation	1,711	(835)
Net profit/(loss) after taxation	2,342	(2,388)

Information on the Group

The Group is a major drama series producer and distributor in the PRC, and principally engages in the investment, development, production and distribution of TV series and web series.

Information on Jiangsu Strawbear

Jiangsu Strawbear, a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements, principally engages in the investment, production and distribution of TV series and web series.

Information on the Purchaser

The Purchaser, a limited liability company established in the PRC on June 1, 2020, principally engages in provision of visual effects post-production services for films and drama series. The Purchaser is owned as to 96.945% by Mr. Li Liang (李亮), 2.280% by Mr. Chen Xiaoliang (陳曉亮) and 0.775% by Wuxi Jinli Hongchuang Enterprise Management Consulting Partnership (Limited Partnership) (無錫金利泓創企業管理諮詢合夥企業(有限合夥)) (“Jinli Hongchuang”). Mr. Li Liang is the executive general partner and one of the limited partners of Jinli Hongchuang. Mr. Li Liang, Mr. Chen Xiaoliang and the other limited partners of Jinli Hongchuang are all Independent Third Parties.

Information on the Guarantors

The Guarantors are Mr. Mi Chunlin (米春林), Mr. Li Liang (李亮), Mr. Chen Xiaoliang (陳曉亮) and Ms. Fan Lin (範琳), who are the ultimate beneficial owners of the Purchaser.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the disposal of the Target Equity in the amount of RMB14,195,205.48
“Consolidated Affiliated Entities”	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in “Contractual Arrangements” in the prospectus of the Company published on December 31, 2020
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the prospectus of the Company published on December 31, 2020
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and consolidated affiliated entities from time to time
“Guarantors”	Mr. Mi Chunlin (米春林), Mr. Li Liang (李亮), Mr. Chen Xiaoliang (陳曉亮) and Ms. Fan Lin (範琳)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Jiangsu Strawbear”	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Purchaser”	Aite Visual Innovation Digital Technology Wuxi Co., Ltd. (艾特視創數字科技無錫有限公司), a limited liability company established in the PRC on June 1, 2020, which is owned as to 96.945% by Mr. Li Liang (李亮), 2.280% by Mr. Chen Xiaoliang (陳曉亮) and 0.775% by Jinli Hongchuang
“RMB”	the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Repurchase Agreement”	the Share Repurchase Agreement entered into among Jiangsu Strawbear, the Purchaser, the Guarantors and the Target Company on November 26, 2021 in relation to the transfer of the Target Equity
“Share(s)”	ordinary share(s) of US\$0.000025 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company” or “Nova Film”	Nova Film Technology (Jiangsu) Co., Ltd. (諾華視創電影科技(江蘇)有限公司), a limited liability company established in the PRC on May 29, 2012 and indirectly controlled by the Company through the Contractual Arrangements
“Target Equity”	90.1% equity interest in the Target Company held by Jiangsu Strawbear
“Transaction”	the transfer of the Target Equity by Jiangsu Strawbear to the Purchaser under the Share Repurchase Agreement
“%”	per cent

By order of the Board
Strawbear Entertainment Group
Liu Xiaofeng
Chairman

Nanjing, PRC, November 26, 2021

As at the date of this announcement, the Board comprises Mr. Liu Xiaofeng, Ms. Zhang Qiuchen, Mr. Chen Chen and Ms. Zhai Fang as executive Directors, Mr. Wang Xiaohui and Ms. Zeng Ying as non-executive Directors, and Mr. Zhang Senquan, Mr. Ma Zhongjun and Mr. Chung Chong Sun as independent non-executive Directors.