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a metaverse company

A Metaverse Company

— 元 宇 宙 公 司

(formerly known as “Starrise Media Holdings Limited 星宏傳媒控股有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

**DISCLOSEABLE AND EXEMPT CONNECTED TRANSACTION
IN RELATION TO
REPURCHASE OF EQUITY INTEREST IN A NON WHOLLY-OWNED
SUBSIDIARY**

INTRODUCTION

On 5 July 2022, the Company, the Purchaser (a wholly-owned subsidiary of the Company) and the Sellers, among the others, entered into the Repurchase Agreements, pursuant to which, the Purchaser agreed to repurchase approximately 39% and 10% equity interest in the Target Company from Seller A and Seller B, in the consideration of approximately RMB43.71 million and nil, respectively. Immediately after the Repurchases, the Target Company will be wholly owned by the Purchaser.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Repurchases exceed(s) 5% but is/are all less than 25%, the Repurchases in aggregate constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As each of Seller A and Seller B was a substantial shareholder of the Target Company as at the material time the Repurchase Agreements were entered into, each of Seller A and Seller B was a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Repurchases constituted connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As (i) each of Seller A and Seller B is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Repurchases; and (iii) the independent non-executive Directors have confirmed that the Repurchases are on normal commercial terms and their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Repurchases in aggregate is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

INTRODUCTION

Reference is made to the Capital Increment Agreement dated 24 October 2019. Pursuant to the Capital Increment Agreement, Seller A and Seller B acquired approximately 39% and 10% equity interest in the Target Company by way of capital increment, in the amount of approximately RMB39.25 million (which has been settled by Seller A), and RMB1.96 million (which has not been settled by Seller B), respectively, with the condition that the Purchaser was obliged to repurchase the equity interest in the Target Company from Seller A and Seller B, which Seller A could issue the repurchase notice after (i) 24 months from the date of the completion of the Capital Increment Agreement or (ii) the completion of all the projects in the Target Company (whichever is earlier).

On 5 July 2022, the Company, the Purchaser (a wholly-owned subsidiary of the Company) and the Sellers, among the others, entered into the Repurchase Agreements, pursuant to which, the Purchaser agreed to repurchase approximately 39% and 10% equity interest in the Target Company from Seller A and Seller B, in the consideration of approximately RMB43.71 million and nil, respectively. Immediately after the Repurchases, the Target Company will be wholly owned by the Purchaser.

TERMS AND CONDITIONS OF THE REPURCHASE AGREEMENTS

Repurchase Agreement A

The principal terms and conditions of the Repurchase Agreement A are as follows:

Date: 5 July 2022

Parties: (i) Target Company
(ii) Seller A
(iii) the Purchaser
(iv) the Company (as one of the guarantors)
(v) the Guarantor

Subject Matter: approximately 39% registered capital in the Target Company

Consideration: in the amount of RMB43,708,536.73 (including the repurchase consideration in the amount of RMB39,043,324.66 with interest in the amount of RMB4,665,212.07), which will be funded by the Group's internal resources. The consideration represents the sum of (i) the capital of RMB39,043,324.66 injected by Seller A pursuant to the Capital Increment Agreement and (ii) the interest of RMB4,665,212.07 on the said investment amount at the rate of 12.3% per annum for a period of 365 days from 19 November 2021 to 19 November 2022. The interest rate was determined after arm's length negotiations taking into account (i) the market lending rate; and (ii) the delayed payment of the repurchase consideration (which was scheduled to be paid within one month after the repurchase notice had been issued under the terms of Capital Increment Agreement).

Condition precedent of the Repurchase Agreement A:	the transfer of approximately 10% equity interest in the Target Company under the Repurchase Agreement B has been completed.
Consideration payment arrangement:	(a) The Purchaser has already paid RMB1.11 million to Seller A in cash as at the date of the Repurchase Agreement A; and (b) The Purchaser shall pay the remaining RMB42.59 million in cash to Seller A by 19 November 2022.
Completion:	upon completion of registration of change of equity holder at the competent governmental authorities, which shall be done within 30 working days after the settlement of the consideration in full.
Guarantee:	The Guarantor and the Company undertook to guarantee the Purchaser's payment obligation under the Repurchase Agreement A.

Repurchase Agreement B

The principal terms and conditions of the Repurchase Agreement B are as follows:

Date:	5 July 2022
Parties:	(i) Target Company (ii) Seller A (iii) Seller B (as seller) (iv) the Purchaser (as purchaser) (v) the Company (as one of the guarantors) (vi) the Guarantor
Subject Matter:	approximately 10% registered capital in Target Company
Consideration:	nil, due to the capital increment agreed in the Capital Increment Agreement has not yet been settled by Seller B as at the date of this announcement
Completion:	upon completion of the registration of the change of equity holder, executive director and legal representative with the competent governmental authorities in accordance with the terms of the Repurchase Agreement B, which shall be done within thirty (30) days from the date of the Repurchase Agreement B.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in (i) the licensing of drama series and films and the production of drama series and films, and distribution and related services; and (ii) cloud gaming, software development, technology consulting services and digital content production services.

The Purchaser is an investment holding company and a wholly-owned subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in the investment/production of drama series and films. Immediately before the completion of Repurchases, the Purchaser, Seller A and Seller B held approximately 51%, 39% and 10% equity interest in the Target Company, respectively.

After the completion of the Repurchases, the Purchaser will hold 100% of the equity interest in the Target Company and the Target Company will become a wholly-owned subsidiary of the Company and the results of the Target Company will continue to be consolidated with the financial results of the Group.

INFORMATION OF THE SELLERS

Seller A is a limited partnership organised and existing under the laws of the PRC, and is principally engaged in, among other things, the provision of investment management and industrial investment in the PRC, the entire partnership interest of which is directly owned by a total of 16 investors, none of whom holds individually more than 10% partnership interest in Seller A (limited partnership) except for Chengdu Gangjian Asset Management Co., Ltd. (成都剛堅資產管理有限公司) holding its 49.8629% partnership interest. Chengdu Gangjian Asset Management Co., Ltd. (成都剛堅資產管理有限公司) is indirectly held as to approximately 51% by Xizang Gangjian Group Co., Ltd. (西藏剛堅集團有限公司) and 49% by Yan Wei. Shoujiantou Investment Management (Beijing) Co., Ltd. (首建投投資管理(北京)有限公司) is a general partner of Seller A (which the largest ultimate beneficial owner is Liu Chang, a PRC resident and a businessman) and is engaged in the management of Seller A. Seller A held approximately 39% equity interest in the Target Company since December 2019.

Seller B is a company established in the PRC with limited liability and is principally engaged in corporate management consulting, technology development and technology consulting in the fields of internet technology, information technology, computer software and auxiliary equipment in the PRC, and the largest ultimate beneficial owner is Tang Xiaobin, a PRC resident and businessman. Seller B held approximately 10% equity interest in the Target Company since December 2019 yet the registered capital of those 10% equity interest has not been paid.

As each of Seller A and Seller B was a substantial shareholder of the Target Company as at the material time the Repurchase Agreements were entered into, each of Seller A and Seller B was a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Save as the aforesaid, and to the best of the Directors' knowledge, information and belief having made reasonable enquiries, all the partners of Seller A (including the general partners and the limited partners) and the directors and shareholders of Seller B are individual investors and independent third parties of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF THE REPURCHASES

It is one of the conditions of the Capital Increment Agreement that the Purchaser is obliged to repurchase the investment amount from Seller A after the fulfillment of certain conditions. The Repurchases were conducted pursuant to the Group's contractual obligations under the Capital Increment Agreement.

The consideration for the Repurchases was determined after arm's length negotiations between the Group and Seller A with reference to the amount of investment made by Seller A pursuant to the Capital Increment Agreement and the interest for the delayed payment of the repurchase consideration as detailed in the paragraph headed "Terms and Conditions of the Repurchase Agreements - Repurchase Agreement A" above. As such the Directors consider the consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Repurchases exceed(s) 5% but is/are all less than 25%, the Repurchases constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As each of Seller A and Seller B was a substantial shareholder of the Target Company as at the material time the Repurchase Agreements were entered into, each of Seller A and Seller B was a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Repurchases in aggregate constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As (i) each of Seller A and Seller B is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Repurchases; and (iii) the independent non-executive Directors have confirmed that the Repurchases are on normal commercial terms and their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Repurchases in aggregate is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022, and will remain suspended until further notice pending the publication of the announcement in relation to the audited annual results of the Group for the year ended 31 December 2021.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

“Board”	the board of Directors
“Capital Increment Agreement”	capital increment agreement dated 24 October 2019 (which was supplemented by supplemental capital increment agreement dated 24 October 2019) entered into among the Target Company, Seller A, Seller B, the Purchaser, the Company and the Guarantor in relation to, among the others, the capital investment to the Target Company by Seller A and Seller B
“Company”	A Metaverse Company, a company incorporated in the Cayman Islands on 24 February 2010 as an exempted company with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Beijing Starrise Cultural Development Co., Ltd. (北京星宏文化發展有限公司), a PRC company controlled by the Group by way of contractual arrangements
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Purchaser”	Beijing Starrise Media Co., Ltd. (北京星宏文化傳媒有限公司), a wholly-owned subsidiary of the Company
“Repurchase Agreement A”	the repurchase agreement entered into among the Target Company, Seller A, the Purchaser, the Company and the Guarantor dated 5 July 2022 in relation to, among the others, the repurchase of approximately 39% equity interest in the Target Company

“Repurchase Agreement B”	the equity transfer agreement entered into among the Target Company, Seller A, Seller B, the Purchaser, the Company and the Guarantor dated 5 July 2022 in relation to the repurchase of approximately 10% equity interest in the Target Company
“Repurchase Agreements”	collectively, the Repurchase Agreement A and the Repurchase Agreement B
“Repurchases”	the repurchases of approximately 39% and 10% equity interest in the Target Company from Seller A and Seller B, respectively
“RMB”	Reminibi, the lawful currency of the PRC
“Seller A”	嘉興首建投五號投資合夥企業(有限合夥)(Jiaxing Shou Jian Tou No. 5 Investment Partnership (Limited Partnership))*
“Seller B”	北境企業管理諮詢(寧波)有限公司(Bei Jing Corporate Management Consultation (Ningbo) Co., Ltd)*
“Sellers”	collectively, Seller A and Seller B
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Khorgos Starrise Qicheng Media Co., Ltd (霍爾果斯星宏啟程傳媒有限公司), a non wholly-owned subsidiary of the Company
“%”	Per cent

By order of the Board
A Metaverse Company
LIU Dong
Chairman

People’s Republic of China, 5 July 2022

As at the date of this announcement, the Board comprises seven directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. YANG Qinyan and Mr. HE Han as the executive directors of the Company; and Mr. LAM Kai Yeung, Ms. LIU Chen Hong and Mr. KWOK Pak Shing as the independent non-executive directors of the Company.

* for identification purposes only