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CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00343)

(Warrant Code: 01453)

MEMORANDUM OF UNDERSTANDING IN RELATION TO INVESTMENT IN A MOVIE

On 16 November 2015 (after trading hours), Culturecom Media, a wholly owned subsidiary of the Company, entered into the Memorandum with Beijing Forbidden City and Beijing Zhenghong, pursuant to which Culturecom Media intends to cooperate with Beijing Forbidden City and Beijing Zhenghong for the joint investment and production of the Movie.

Pursuant to the Memorandum, Culturecom Media intends to cooperate with Beijing Forbidden City and Beijing Zhenghong for the joint investment and production of the Movie.

Pursuant to the Memorandum, the total cash investment amount for the production of the Movie is estimated to be RMB30,000,000 (equivalent to approximately HK\$36,618,000) which is expected to be wholly funded by Culturecom Media while Beijing Forbidden City shall provide all relevant services and Beijing Zhenghong shall provide all equipment, stage properties, script and the crews for the production of the Movie.

The Memorandum sets out an understanding between the parties thereto and may or may not lead to the entering into the Formal Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

* For identification purposes only

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PRINCIPAL TERMS OF THE MEMORANDUM

Date: 16 November 2015 (after trading hours)

Parties: (i) Culturecom Media;
(ii) Beijing Forbidden City; and
(iii) Beijing Zhenghong.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Beijing Forbidden City and Beijing Zhenghong and their respective ultimate beneficial owners are Independent Third Party.

Subject matter:

Pursuant to the Memorandum, Culturecom Media intends to cooperate with Beijing Forbidden City and Beijing Zhenghong for the joint investment and production of the Movie.

Investment

Pursuant to the Memorandum, the total cash investment amount for the production of the Movie is estimated to be RMB30,000,000 (equivalent to approximately HK\$36,618,000) which is expected to be wholly funded by Culturecom Media while Beijing Forbidden City shall provide all relevant services and Beijing Zhenghong shall provide all equipment, stage properties, script and the crews for the production of the Movie.

The estimated production time for the Movie is 2 months commencing from December 2015 to the end of January 2016.

Title to property arising from the Movie and profit sharing mechanism

Pursuant to the Memorandum, unless as required by the relevant laws and regulations or otherwise agreed by the parties thereto, all the tangible and intangible properties (including but not limited to copyright, business operation and other intellectual property rights derived from the marketing of the Movie which are regarded as an asset) and all such derived rights arising from the Movie shall be jointly owned by the parties thereto. The above profit sharing mechanism and the jurisdictions in which the title to the Movie are enforceable shall be subject to further negotiation in the Formal Agreement.

Income from the box office and other derived incomes (including but not limited to publication and sale of DVD and income generated from authorized broadcasting activities on the internet), after deducting all the costs and expenses, constitute the net income of the Movie, which shall be distributed as to approximately 80% to Culturecom Media and as to approximately 20% to Beijing Zhenghong. Beijing Forbidden City shall not be entitled to share the above net income but shall be entitled to charge for the expenses incurred from the provision of the services, labour, agency and management in relation to the production and broadcasting of the Movie.

Script

The script for the Movie shall be provided by Beijing Zhenghong, be agreed by Beijing Forbidden City and Culturecom Media and be approved by the Beijing Administration of Press, Publication, Radio, Film and Television (北京市新聞出版廣電局) in the PRC. Beijing Forbidden City shall be responsible for all the administrative procedures in relation to the filming application for the Movie and the obtaining of the Licence for Film Publication (影片公映許可證) and the Film Production Licence (攝製電影許可證) for the production and broadcasting of the Movie.

Formal Agreement

Pursuant to the Memorandum, the parties thereto intended to, within 15 working days from the date of obtaining the relevant permit from the administrative department for movies in the PRC for the Movie, further negotiate the subsequent performance of the respective obligations under the Memorandum and the necessity to enter into the Formal Agreement.

Non-legally binding effect of the Memorandum

The Memorandum is non-legally binding save for the provisions in relation to termination, force majeure, notices and governing law and jurisdiction provisions.

INFORMATION ON BEIJING FORBIDDEN CITY

Beijing Forbidden City which was established in 1997 in the PRC and is currently controlled by Beijing Television (北京電視台), is principally engaged in the business of movie and television planning, production and marketing and is one of the strongest sizable professional movie and television production corporations in the PRC. Since its establishment, the results of operations of Beijing Forbidden City have stayed at the forefront of those of the film companies in the PRC.

Many movies produced by Beijing Forbidden City hit the highest or the second highest annual box office in the PRC in the year of release, and several movies were distributed and sold to the United States, Japan, South Korea, Hong Kong, Taiwan and other countries and areas. With years of implementation, Beijing Forbidden City has established a complete and effective integrated operating mechanism comprising of planning, filming, marketing, distribution and derivative exploration of a movie, and achieved notable results as compared to its peers.

Up to the date, Beijing Forbidden City has filmed and produced more than 70 movies and thousand sets of television series. The television series shot and produced by Beijing Forbidden City all recorded very high audience rating during the period when they were being broadcasted in China Central Television (中央電視台) and relevant local television stations. The movies and television series produced by Beijing Forbidden City were granted many national and professional awards, as well as several awards in various international film festivals including those held in Cairo, Moscow and Tokyo.

INFORMATION ON BEIJING ZHENGHONG

Beijing Zhenghong was established in the PRC, Beijing in April 2014. Since its establishment, Beijing Zhenghong has been committed to project planning and development of commercial films of sport genre. Capitalizing on its high professional capacity and innovative application of big data on Chinese movies, Beijing Zhenghong has developed several excellent film intellectual properties (IPs) which have been filed with relevant department in the PRC for approval.

All of the core team members of Beijing Zhenghong are experienced in movie and television project development and operations, and possess extensive experiences and expertise in respect of planning, development, production, business operation, marketing and capital operation. Meanwhile, they have common recognition and have conducted original research on the application and innovation of big data regarding films in Chinese commercial movies, and have actively applied their research findings into the project development of commercial movies of sport genre.

INFORMATION ON CULTURECOM MEDIA

Culturecom Media, a wholly owned subsidiary of the Company, was established in 1999 in Hong Kong and is mainly engaged in comics promotion and IPs licensing business of the Group. Culturecom Media held various comics promotion activities and comics creation courses jointly with deferent organizations, and participated into the Group's IPs licensing of and investment in movies, television series, games and other multi-media products. In 2009, it began to offer professional diploma in commercial comics art program jointly with Li Ka Shing Institute of Professional and Continuing Education of The Open University of Hong Kong, which allowed the students to learn Professional comics knowledge and provided them opportunities in the comics' industry. In addition, in 2011, Culturecom Media began to prepare and invest in the filming of 20-episode television series named *Anti-Japanese In Songhu* (《淞滬抗戰》), thereby further enhancing people's understanding on this history. The company will continue to promote and expand the operations of IPs licensing business, and invest and produce more excellent movies and television series.

REASONS FOR ENTERING INTO THE MEMORANDUM

The Group is principally engaged in publishing, online and social business, retailing and wholesales and catering.

The Group has accomplished great successes in making movies based on IPs licensed comics and produced many popular movies including *Dragon Tiger Gate* (《龍虎門》), *A Man Called Hero* (《中華英雄》) and *Feel 100%* (《百分百感覺》). In order to diversify the Group's IPs licensing business, the Group has decided to reproduce the IPs licensed comics named *Chinese Football* (《中國足球》) in line with the market demand in the PRC and invest and shoot movies of football genre. The cooperation to shoot the movie entitled *Who Is The King* (《誰是球王》) this time can broaden the income stream of the Group's IPs licensing business. In addition, the reproduction can improve the market value of relevant IPs of the Group, and the vertical integration can increase the stable demand for the comics IPs of the Group from outside, which is beneficial for the Group to further expand the operations of its IPs business.

The Board is of the view that the investment in the Movie and the Memorandum are in the interests of the Company and its shareholders as a whole.

GENERAL

The Memorandum sets out an understanding between the parties thereto and may or may not lead to the entering into the Formal Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITION

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

“Beijing Forbidden City”	北京紫禁城影業有限責任公司 (Beijing Forbidden City Film Co., Ltd.*), a company established in the PRC with limited liability which is, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, wholly owned by the Independent Third Parties
“Beijing Zhenghong”	北京正泓文化有限責任公司 (Beijing Zhenghong Culture Co., Ltd.*), a company established in the PRC, Beijing with limited liability which is, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, wholly owned by the Independent Third Parties
“Board”	the board of Directors
“Company”	Culturecom Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the securities of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Culturecom Media”	Culturecom Media Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by the Company
“Director(s)”	director(s) of the Company
“Formal Agreement”	the joint investment agreement which may or may not be entered into by Culturecom Media, Beijing Forbidden City and Beijing Zhenghong in relation to, among other things, the production and broadcasting of the Movie
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the non-legally binding memorandum of understanding entered into among Culturecom Media, Beijing Forbidden City and Beijing Zhenghong dated 16 November 2015 (after trading hours) in relation to the proposed joint investment in the Movie
“Movie”	the motion picture, the story of which is based on reality show, to be produced and broadcasted as contemplated under the Memorandum and/or the Formal Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.2206. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

By order of the Board
CULTURECOM HOLDINGS LIMITED
Chu Bong Foo
Chairman

Hong Kong, 16 November 2015

As at the date of this announcement, the Board comprises Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director); Dr. Lai Tak Kwong Andrew, Mr. Kwan Kin Chung, Mr. Chung Billy, Mr. Tang U Fai, Mr. Tang Kwing Chuen Kenneth and Mr. Chen Man Lung (all being Executive Directors); Mr. Chu Bong Foo (being the Chairman and Non-executive Director) and Mr. Fan Chun Wah Andrew, Mr. Joseph Lee Chennault, Mr. Lai Qiang and Ms. Ng Ying (all being Independent Non-executive Directors).