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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)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE AGREEMENT

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 28 March 2018 (after trading hours), Culturecom (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, has entered into the Capital Increase Agreement with the Target Company and its Existing Equity Holders to increase the registered capital and capital reserves of the Target Company.

Pursuant to the Capital Increase Agreement, Culturecom (Hong Kong) Limited has agreed to inject a total of RMB40 million (equivalent to approximately HK\$50 million) in cash for the Capital Increase in the Target Company.

Completion shall take place upon the signing of the Capital Increase Agreement and Consideration Completion shall take place within seven Business Days immediately following the fulfillment of the Consideration Conditions.

Upon Completion, the equity interests in the Target Company will be owned as to 55% by Culturecom (Hong Kong) Limited and as to 45% by the Existing Equity Holders. As such, the Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

Pursuant to the Capital Increase Agreement, the Target Company shall be registered as a foreign invested enterprise*. Simultaneously with the signing of the Capital Increase Agreement, Culturecom (Hong Kong) Limited and the Existing Equity Holders has entered into the Shareholders' Agreement in relation to the operation and management of the Target Company.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

The Board is pleased to announce that on 28 March 2018 (after trading hours), Culturecom (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, has entered into the Capital Increase Agreement with the Target Company and its Existing Equity Holders to increase the registered capital and capital reserves of the Target Company.

The principal terms and conditions of the Capital Increase Agreement are as follows:

THE CAPITAL INCREASE AGREEMENT

Date : 28 March 2018 (after trading hours)

Parties : (a) Culturecom (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company;
(b) the Target Company; and
(c) the Existing Equity Holders

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Target Company, the Existing Equity Holders and their respective ultimate beneficial owners (as the case may be) are Independent Third Parties.

The Capital Increase

Pursuant to the Capital Increase Agreement, Culturecom (Hong Kong) Limited has agreed to inject a total of RMB 40 million (equivalent to approximately HK\$50 million) in cash for the Capital Increase in the Target Company.

Prior to the Capital Increase, the Existing Equity Holders hold 100% of the equity interest of the Target Company. Pursuant to the Capital Increase Agreement, the Existing Equity Holders has agreed to waive their pre-emptive rights in respect of the Capital Increase.

Completion

Completion shall take place upon the signing of the Capital Increase Agreement.

Upon Completion, the equity interests in the Target Company will be owned as to 55% by Culturecom (Hong Kong) Limited and as to 45% by the Existing Equity Holders. As such, the Target Company will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

Consideration

Pursuant to the Capital Increase Agreement, Culturecom (Hong Kong) Limited shall pay the Consideration in the equivalent amount of Hong Kong dollar in cash within seven Business Days immediately following the date that all Consideration Conditions have been fulfilled.

The Consideration was determined after arm's length negotiations between Culturecom (Hong Kong) Limited and the Existing Equity Holders on normal commercial terms.

The Consideration payable by the Group will be financed by the internal resources of the Group.

Consideration Conditions

The settlement of the Consideration by Culturecom (Hong Kong) Limited is subject to the fulfillment of the following conditions:

- (a) the business, financial and legal due diligence on the Target Company conducted by Culturecom (Hong Kong) Limited having been completed, the results of which are satisfactory to Culturecom (Hong Kong) Limited;
- (b) Culturecom (Hong Kong) Limited having obtained approval from the Board in relation to the Capital Increase Agreement and the transactions contemplated thereunder;
- (c) the Existing Equity Holders and the board of directors of the Target Company having approved to enter into the Capital Increase Agreement and the transactions contemplated thereunder;
- (d) the original written declarations signed by the Existing Equity Holders in relation to their consent to the Capital Increase and waiver of their pre-emptive rights in respect of the Capital Increase having been provided to Culturecom (Hong Kong) Limited;
- (e) the Shareholders' Agreement having been duly signed and in full force;

- (f) the new articles of association of the Target Company having been duly and signed and in full force;
- (g) the registration of the Target Company as foreign invested enterprise* (中外合資經營企業) having been completed and a certified copy of the registration receipt having been provided to Culturecom (Hong Kong) Limited by the Target Company;
- (h) the Registration of Change having been completed and a certified copy of the registration evidence having been provided to Culturecom (Hong Kong) Limited by the Target Company;
- (i) the Target Company and its core management team having entered into the relevant employment and confidentiality agreements pursuant to the Capital Increase Agreement;
- (j) the parties to the Capital Increase Agreement having obtained the relevant consents or notices as required by the applicable laws, regulations or otherwise, in relation to the Capital Increase;
- (k) the Target Company having opened a bank account for the foreign capital at a bank agreed by Culturecom (Hong Kong) Limited;
- (l) there being no material adverse change to the Target Company as at or up to the Completion Date; and
- (m) the representations and warranties made by all parties remaining true, accurate, complete and not misleading and having been fulfilled.

If the Consideration Conditions set out above have not been satisfied on or before the Long Stop Date, the Capital Increase Agreement shall cease and terminate and Culturecom (Hong Kong) Limited shall cease to be one of the equity holders of the Target Company. The Target Company and the Existing Equity Holders shall sign and execute all necessary documents within seven Business Days to proceed with the Registration of Change to de-register Culturecom (Hong Kong) Limited as equity holder of the Target Company. Thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Lock-up undertaking

Pursuant to the Capital Increase Agreement, without the prior consent of Culturecom (Hong Kong) Limited, within three years from the date of the signing of the Capital Increase Agreement, each of the Existing Equity Holders is not allowed to sell, transfer or assign their respective equity interests in the Target Company to the other Existing Equity Holders or to any other party.

The Shareholders' Agreement

Simultaneously with the signing of the Capital Increase Agreement, Culturecom (Hong Kong) Limited and the Existing Equity Holders entered into the Shareholders' Agreement in relation to, among others, the operation and management of the Target Company.

Pursuant to the Shareholders' Agreement, the registered capital of the Target Company is RMB833,000 and the registered capital shall not be reduced. To increase the registered capital, each party to the Shareholders' Agreement has the pre-emptive right to inject funds pro-rata to their equity interests in the Target Company at the relevant time. For a party to transfer its/ his equity interests in the Target Company, it requires the prior consents of all the other parties and the other parties has the pre-emptive rights in acquiring such equity interests.

The board of directors of the Target Company will consist of five directors, of which Culturecom (Hong Kong) Limited will be entitled to designate three directors and the Existing Equity Holders will be entitled to designate two directors. The chairman of the board* (董事長) will be one of the three directors designated by Culturecom (Hong Kong) Limited. The responsibility of the management, direction and control of the Target Company will be vested in the board of director subject to certain matters which the unanimous or one half majority approval by the board of directors is require. Culturecom (Hong Kong) Limited will be entitled to appoint one supervisor* (監事) and the Existing Equity Holders will be entitled to appoint one supervisor to monitor, among others, the finance and operation of the Target Company.

There is no expiry date of the operation of the Target Company. The Target Company may be dissolved in accordance with the applicable laws in the following circumstances:

- (1) the Target Company incurs material loss and is unable to continue its operation;
- (2) any party to the Shareholders' Agreement breaches the Shareholders' Agreement or the articles of association, causing the Target Company unable to operate;
- (3) the Target Company cannot be operated continuously due to a force majeure event;
- (4) the Target Company does not reach its business objects with no other development prospects;
or
- (5) the board of directors of the Target Company decides to dissolve the Target Company.

FINANCIAL INFORMATION AND BACKGROUND OF THE TARGET COMPANY

Prior to the Capital Increase, the Target Company was established in the PRC with a registered capital of RMB375,000 and 100% of its equity interest was held by the Existing Equity Holders.

Pursuant to the Capital Increase Agreement, the Target Company shall be registered as a foreign invested enterprise*.

The Target Company is principally engaged in the digitalization and commercialization of intellectual properties, content creation and digital marketing. It is a start-up, although established in late 2014 and it has commenced a full year of operation in 2017.

Set out below is a summary of the key financial information of the Target Company extracted from its audited accounts for each of the two years ended 31 December 2016 and December 2017:

	For the year ended 31 December 2017 RMB audited	For the year ended 31 December 2016 RMB audited
Revenue	3,492,000	—
Profit/(loss) before taxation	25,000	—
Profit/(loss) after taxation	19,000	—
Net asset value	4,010,000	3,000

INFORMATION OF THE GROUP

The Group is principally engaged in comics publishing, online and social business, retailing and wholesale and catering business. Such business activities in the cultural and entertainment business include the licensing of intellectual properties, and the operation of a movie theatre multiplex.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Board, is optimistic about the future development and prospect of the digitalization and commercialization of intellectual properties engaged by the Target Company and is of the view that the Target Company will enrich the Group's portfolio of the licensing of intellectual properties business. The Group immediately has access to their technical skill in the digitization of our intellectual properties and it also provides a good marketing platform. We expect an immediate transition of our existing scope of traditional licensing model into a digitized and technology driven licensing model and hence, expanding our scope of businesses. In addition, considering the Target Company's demographic network and expertise in the PRC, it will be significantly beneficial to the

Group's future development and assist us to further develop and promote our intellectual properties and licensing businesses. Therefore, the Board believes that by providing liquidity for the Target Company through the Capital Increase, the Target Company can further expand its businesses and the Company can benefit from obtaining a greater control on the operation and businesses of Target Company.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement has been entered into on normal commercial terms and are fair and reasonable and the transactions contemplated under Capital Increase Agreement are in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“Board”	the Board of Directors
“Business Day”	a day (excluding a Saturday or Sunday or public holiday) on which banks in the PRC are open for business
“Capital Increase”	the injection of an aggregate of RMB40 million to the capital of the Target Company by Culturecom (Hong Kong) Limited pursuant to the terms of the Capital Increase Agreement where RMB458,000 shall be applied to subscribe for the registered capital of the Target Company to be increased and the remaining RMB39,542,000 shall be applied to the capital reserves of the Target Company
“Capital Increase Agreement”	the capital increase agreement dated 28 March 2018 entered into among Culturecom (Hong Kong) Limited, the Target Company and the Existing Equity Holders in relation to, among other things, the Capital Increase
“Company”	Culturecom Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Capital Increase Agreement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate amount of RMB40 million, being the total consideration payable by Culturecom (Hong Kong) Limited pursuant to the Capital Increase Agreement
“Consideration Conditions”	the conditions precedent to the payment of the consideration as stated in this announcement
“Culturecom (Hong Kong) Limited	Culturecom (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Existing Equity Holders”	the persons or companies who in total hold 100% equity interest in the Target Company prior to the Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	persons or entities (and their ultimate beneficial owner(s)) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are parties independent of the Company and the connected persons of the Company
“Shareholders’ Agreement”	the shareholders’ agreement entered into between Culturecom (Hong Kong) Limited and the Existing Equity Holders simultaneously with the signing of the Capital Increase Agreement, in relation to, among others, the operation and management of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Registration of Change”	the Registration of Change* (工商變更登記) in respect of the Target Company to be registered with the relevant government authority in the PRC pursuant to the Capital Increase Agreement
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	北京易奇門科技有限公司, a company established in the PRC with limited liability and is beneficially owned by Independent Third Parties prior to the Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

(For reference only, the exchange rate used in this Announcement is RMB 1 = HK\$1.2508 (as at 28 March 2018))

By order of the Board
Culturecom Holdings Limited
Kwan Kin Chung
Managing Director

Hong Kong, 28 March 2018

As at the date hereof, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director), Mr. Kwan Kin Chung, Mr. Chen Man Lung, Mr. Tang Kwing Chuen Kenneth and Mr. Yuen Kin (all being Executive Directors); and Mr. Fan Chun Wah Andrew, Mr. Lai Qiang and Ms. Ng Ying (all being Independent Non-executive Directors).

The English transliteration of the Chinese term(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English term(s) of such Chinese term(s).*