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**STARLIGHT CULTURE  
ENTERTAINMENT**

**STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED  
星光文化娛樂集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1159)**

**BUSINESS UPDATE –  
THE ENTERING INTO OF A MEMORANDUM OF  
UNDERSTANDING  
IN RESPECT OF JOINT VENTURE COOPERATION**

The board of directors (the “**Board**”) of Starlight Culture Entertainment Group Limited (the “**Company**”) would like to provide a business update to the shareholders and potential investors of the Company in respect of media and culture business development of the Company and its subsidiaries (the “**Group**”).

**MEMORANDUM OF UNDERSTANDING**

The Company is pleased to announce that on 28 March 2020, Starlight Media, Inc., a wholly-owned subsidiary of the Company (“**Starlight Media**”) and Lion Forge Animation, LLC (“**Lion Forge Animation**”) entered into a memorandum of understanding (the “**MOU**”) with immediate effect in respect of the cooperative joint venture in (i) creation and development of animated audio-visual projects on a project-by-project basis for worldwide exploitation in all media (each a “**JV Project**”); and (ii) licensing and exploitation of the existing intellectual properties of Lion Forge Animation on a project-by-project basis (each a “**Lion Forge Project**”) for exploitation in Greater China Region (as defined below).

The term of the MOU is three years from 28 March 2020 (the “**Cooperation Period**”), subject to suspension and extension for the duration of any events of force majeure as defined under the MOU (“**Force Majeure**”), plus a reasonable period of time to re-commence normal business operations (the “**Extension Provision**”). It is expressly agreed between Starlight Media and Lion Forge Animation that COVID-19 is a continuing event of Force Majeure which is subject to the Extension Provision. Both parties agreed that in the event that COVID-19 continues for a period of more than eight months from the commencement of the Cooperation Period, the parties thereto are not able to render services and/or fulfill their respective obligations under the MOU, either party may terminate the MOU upon written notice and the MOU shall be deemed void, ab initio. Any failure or delay by either party to render services in connection with any JV Project by reason of Force Majeure shall not be a material breach of the MOU.

During the Cooperation Period, the parties thereto shall endeavor to co-finance and jointly develop the JV Project(s) with a development budget mutually agreed between the parties (the “**Development Budget**”). Prior to commencing the development of any JV Project, the parties shall mutually approve in writing the Development Budget for each such JV Project and each party shall finance 50% of all development costs and expenses incurred in connection with such JV Project in accordance with a mutually approved cash flow schedule (the “**Cash Flow Schedule**”).

The following projects are pre-approved by the parties as the initial JV Projects, subject to mutual approval of the Development Budgets and Cash Flow Schedules for such JV Projects:

- (a) Journey To The West: “Journey To The West” is intended to be developed into a feature-length animated motion picture, re-imagined from the historical Chinese novel of the same name, which is one of the Four Great Classical Novels of Chinese literature.
- (b) An original animated short film inspired by the COVID-19 pandemic and its impact on humans and other species.

The parties will endeavor to work together to (i) introduce and exploit Lion Forge Animation’s existing content, with such existing content to be mutually approved in writing on a project-by-project basis, for exploitation in China, (ii) develop new intellectual property (“**IP**”) content for the Chinese market, and (iii) identify traditional Chinese stories and IP and develop new and creative interpretations and derivative IP content based on such traditional stories and IP for exploitation in the international markets.

For cooperation in the JV Projects, Starlight Media and Lion Forge Animation shall equally share all intellectual property rights in and to each of the JV Projects (the “**Rights**”), including without limitation, the copyrights. Starlight Media shall have the exclusive rights to distribute, license, and exploit all Rights in and to each JV Project in Mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan (the “**Greater China Region**”) whereas Lion Forge Animation shall have the exclusive rights to distribute, license, and exploit all Rights in and to each JV Project in all territories of the world excluding the Greater China Region.

## **INFORMATION OF LION FORGE ANIMATION**

Based on the information provided by Lion Forge Animation, Lion Forge Animation is a media company that creates animated content that challenges expectations and reflects the diversity of modern viewing audiences. The culturally significant and critically acclaimed short film “Hair Love” was the studio’s first release, and won an Academy Award in 2020, for “Best Animated Short Film.” Founded in 2019, Lion Forge Animation is a subsidiary of Polarity, a diversified global media company established in 2018 by David Steward II.

Polarity is a diversified global media company founded in 2018, with a mission to bring authentic content to a diverse global audience. To create a richer content experience and offering, we believe in the value of embracing diversity and highlighting opposing views and voices. The Polarity portfolio includes Oni-Lion Forge Publishing Company, Lion Forge Animation, Illustrated Syndicate, and Magnetic Press.

According to the Company’s management, the Group believes that the cooperation with Lion Forge Animation is in line with the Company’s development strategy. The Group considers that the cooperation with Lion Forge Animation complements the business development of the Company strongly at an international level and the entering into of the MOU is in the interests of the Company and its shareholders as a whole and will create a win-win situation for all parties of the cooperation.

## **GENERAL**

To the best of the Directors' knowledge and having made all reasonable enquiries, Lion Forge Animation is an independent third party of the Company and its connected person. The entering into of the MOU by the Company does not constitute a notifiable transaction and/or a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company may or may not proceed to execute any legally binding agreement(s) in relation to the MOU and the transactions contemplated thereunder. Accordingly, shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company. In the event that any transaction contemplated under the MOU is further materialized or implemented, and constitutes a notifiable transaction and/or a connected transaction for the Company under Chapter 14 and Chapter 14A (as the case may be) of the Listing Rules, the Company will issue further announcement to inform the shareholders as and when appropriate in accordance with the relevant requirements of the Listing Rules.

By order of the Board  
**Starlight Culture Entertainment Group Limited**  
**Fang Jun**  
*Chairman*

Hong Kong, 15 April 2020

*As at the date of this announcement, the Board comprises eight executive directors, namely Mr. Fang Jun, Mr. Chau Chit, Mr. Luo Lei, Mr. Sang Kangqiao, Mr. Gao Qun, Mr. Chen Jie, Ms. Wu Xiaoli and Mr. Hung Ching Fung; and four independent non-executive directors, namely Mr. Wong Wai Kwan, Mr. Michael Ngai Ming Tak, Mr. Ma Runsheng and Mr. Wong Wai Hung.*