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歡喜傳媒集團有限公司*
HUANXI MEDIA GROUP LIMITED
(Incorporated in the Bermuda with limited liability)
(Stock Code: 1003)

**CONNECTED TRANSACTION –
MOVIE INVESTMENT AGREEMENTS**

MOVIE INVESTMENT AGREEMENTS

The Board is pleased to announce that on 24 December 2015, Guangdong Sinofocus entered into the Movie Investment Agreements with INJO Films, pursuant to which Guangdong Sinofocus has agreed to invest RMB11.8 million (equivalent to approximately HK\$14.2 million) in the production of the Target Film.

LISTING RULES IMPLICATIONS

Mr. Ning Hao, together with his family, is the ultimate shareholder of INJO Films. Mr. Ning Hao is a non-executive Director and the ultimate beneficial owner of Tairong Holdings Limited (泰嶸控股有限公司), a substantial shareholder of the Company, and thus is a connected person of the Company. INJO Films is an associate of Mr. Ning Hao and is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules. Since certain of the applicable ratios (as defined in the Listing Rules) are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *for identification purpose only*

PRINCIPAL TERMS OF THE MOVIE INVESTMENT AGREEMENTS

- Date** : 24 December 2015
- Parties** : (1) Guangdong Sinofocus
(2) INJO Films
- Subject matter** : Guangdong Sinofocus will invest RMB11.8 million (equivalent to approximately HK\$14.2 million), being 20% of the estimated total production costs, distribution costs, advertising and promotion expenses and other costs in relation to the Target Film totalling approximately RMB59 million (equivalent to approximately HK\$70.8 million).
- Payment of the investment amount** : The investment amount of RMB11.8 million shall be paid by Guangdong Sinofocus in three instalments. The first instalment of RMB5.0 million (equivalent to approximately HK\$6 million) shall be paid by Guangdong Sinofocus within three business days upon signing of the Movie Investment Agreements. The second instalment of RMB1.8 million (equivalent to approximately HK\$2.2 million) shall be paid by Guangdong Sinofocus within five business days after signing of the Movie Investment Agreements. The third instalment of the RMB5.0 million (equivalent to approximately HK\$6 million) shall be paid by Guangdong Sinofocus before 11 January 2016.
- The investment amount of RMB11.8 million was determined after arm's length negotiations between Guangdong Sinofocus and INJO Films with reference to, among other things, the estimated total production costs, distribution costs, advertising and promotion expenses and other costs in relation to the Target Film and Guangdong Sinofocus's right to the income as to 20% of the profit of the Target Film under the Movie Investment Agreements. It is expected that the investment amount of RMB11.8 million would be funded by internal resources of the Group.
- Income right** : Guangdong Sinofocus shall have a right to the income which represents 20% of the profit of the Target Film (being Net Income (as defined below) of the Target Film after deduction of the major production team bonus (as explained below)).

Net Income : The Net Income (as defined below) of the Target Film is calculated as follows:

Gross box office receipts of the Target Film in and outside the PRC from distribution and screening in cinemas, TVs, video/audio products, internet or other new media etc. and the income received from the business development in relation to the Target Film less distribution costs, advertising and promotion expenses, production costs and costs relating to the business development of the Target Film (the “Net Income”). Guangdong Sinofocus shall be entitled to recover its investment amount, including RMB11.8 million and any further investment (if any) contributed by Guangdong Sinofocus in accordance with the Movie Investment Agreements, from the distribution costs, advertising and promotion expenses, production costs and costs relating to the business development of the Target Film deducted.

The calculation of the gross box office receipts of the Target Film in and outside the PRC will be based on the relevant information provided and supported by receipts issued by cinemas and cinema circuits. In the event that the information provided by cinemas and cinema circuits in relation to the gross box office receipts of the Target Film in the PRC contains significant discrepancies relative to the information published by the Office of National Film Development Funds Management Committee (國家電影事業發展專項資金管理委員會辦公室), Guangdong Sinofocus will request the INJO Films to reconcile the differences.

Major production team bonus : The major production team (including the producers, director(s), executive producer(s) etc.) shall be entitled to a bonus, being 30% of the Net Income for the box office in relation to the screening of the Target Film in the PRC.

Period of Guangdong Sinofocus’ income right : Guangdong Sinofocus’ income right is for a period of nine years commencing from the date of first commercial release of the Target Film.

Settlement of Guangdong Sinofocus' income right

: The settlement and payment of proceeds under the Movie Investment Agreements shall be made by INJO Films to Guangdong Sinofocus, according to the following timetable:

1st settlement	Upon three months after first release of the Target Film (the "First Release")	Based on the first month's gross office receipts after the First Release and other income
2nd settlement	Upon six months after the First Release	Based on approximately four months' gross box office receipts after the First Release (after deduction of gross box office receipts relating to previous settlement) and other income
3rd settlement	Upon twelve months after the First Release	Based on approximately ten months' gross box office receipts after the First Release (after deduction of gross box office receipts relating to previous settlement) and other income
Subsequent settlements	Every twelve months thereafter	Settlement dates shall be based on further discussions between Guangdong Sinofocus and INJO Films with reference to the actual income arising from the Target Film

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOVIE INVESTMENT AGREEMENTS

The Group is currently principally engaged in the media and entertainment businesses, the provision of property agency and related services, securities trading and investment and advertising agency business.

The Group plans to develop existing and new business in the advertising, media and entertainment industry, and intends to develop and/or invest at least one film and/or one television drama series per year. The movie investment is in line with the Group's development in the advertising, media and entertainment industry. The Directors consider that the movie investment would be beneficial to the Group as it represents a first step forward in the implementation of the Group's development plan as set out in the circular of the Company dated 5 August 2015.

INFORMATION ABOUT THE PARTIES

Guangdong Sinofocus is principally engaged in advertising agency business.

INJO Films is principally engaged in movie production.

INFORMATION ABOUT THE TARGET FILM

The Target Film is 年獸大作戰, a Chinese cartoon movie expected to first be released around Chinese new year in China.

LISTING RULES IMPLICATIONS

Mr. Ning Hao, together with his family, is the ultimate shareholder of INJO Films. Mr. Ning Hao is a non-executive Director and the ultimate beneficial owner of Tairong Holdings Limited (泰嶸控股有限公司), a substantial shareholder of the Company, and thus is a connected person of the Company. INJO Films is an associate of Mr. Ning Hao and is therefore a connected person of the Company as defined in the Listing Rules. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios (as defined in the Listing Rules) are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Transaction is in the ordinary and usual course of business of the Group and on normal commercial terms, the terms of the Movie Investment Agreements are fair and reasonable and in the interests of the Company and shareholders of the Company as a whole.

Mr. Ning Hao has a material interest in the Transaction and has abstained from voting on the board resolution approving the Movie Investment Agreements and the Transaction. Save for the aforesaid, none of the Directors has a material interest in the Transaction and hence none of them has abstained from voting on the board resolution approving the Movie Investment Agreements and the Transaction.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Huanxi Media Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange with stock code 1003;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guangdong Sinofocus”	廣東中觀傳媒有限公司 (Guangdong Sinofocus Media Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“INJO Films”	東陽映月影視文化傳播有限公司 (INJO Films Co. Ltd*), a company established in the PRC and beneficially owned by Mr. Ning Hao together with his family;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Movie Investment Agreements”	the agreement dated 24 December 2015 (as amended by a supplemental agreement dated 24 December 2015) entered into between Guangdong Sinofocus and INJO Films in relation to the investment in the production of the Target Film;

“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Film”	《年獸大作戰》 ; and
“Transaction”	the transaction as contemplated under the Movie Investment Agreements.

By order of the Board
Huanxi Media Group Limited
Xiang Shaokun, Steven
Executive Director and Chief Executive Officer

Hong Kong, 24 December 2015

As at the date of this announcement, the Board comprises Mr. Dong Ping and Mr. Xiang Shaokun Steven (Chief Executive Officer) as executive Directors, Mr. Ning Hao, Mr. Xu Zheng, Mr. Gao Zhikai and Mr. So Chak Kwong as non-executive Directors, and Mr. Su Tuong Sing, David, Mr. Li Xiaolong and Mr. Wong Tak Chuen as independent non-executive Directors.

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For illustration purposes, RMB is converted into HK\$ at RMB1 = HK\$1.2 in this announcement.