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

**ISSUE OF NEW SHARES UNDER GENERAL MANDATE  
AND  
INSIDE INFORMATION RELATING TO AN AGREEMENT  
WITH MR. CHAN HO SUN PETER**

On June 1, 2016 (after trading hours), the Company and one of its indirect wholly-owned subsidiaries entered into the Agreement with Mr. Chan Ho Sun Peter pursuant to which Mr. Chan has conditionally agreed to provide to the Group with certain services, and investment and other rights, relating to film and media productions as set forth in the Agreement. Pursuant to the Agreement, the Company has conditionally agreed to allot and issue 144,500,000 Shares to Mr. Chan. Mr. Chan's Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

Mr. Chan's Shares represent (i) approximately 6.26% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.89% of the issued share capital of the Company as enlarged by the Issuance (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the Issuance).

Completion of the Issuance is conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in Mr. Chan's Shares.

**Shareholders and potential investors should note that completion of the Issuance is subject to fulfillment of the conditions under the Agreement. The Issuance and the transactions contemplated under the Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

\* For identification purpose only

Certain information set forth in this announcement may be price sensitive. This announcement is accordingly being made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the SFO.

**A. INTRODUCTION**

On June 1, 2016 (after trading hours), the Company and Huanxi Subsidiary entered into an agreement with Mr. Chan Ho Sun Peter pursuant to which Mr. Chan has conditionally agreed to provide to the Group with certain services, and investment and other rights, relating to film and media productions (“**Agreement**”). Pursuant to the Agreement, the Company has conditionally agreed to allot and issue 144,500,000 Shares to Mr. Chan. Mr. Chan’s Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

Mr. Chan’s Shares represent (i) approximately 6.26% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.89% of the issued share capital of the Company as enlarged by the Issuance (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the Issuance).

**B. ISSUE OF MR. CHAN’S SHARES UNDER GENERAL MANDATE**

Mr. Chan’s Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting. Under the General Mandate, the Board is authorized to allot and issue up to 461,711,081 new Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate.

**C. SUMMARY OF THE AGREEMENT**

The terms of the Agreement, including the scope of Mr. Chan’s services and commitments and the number of Shares to be issued under the Agreement, were negotiated on an arm’s length basis between the parties and on normal commercial terms. The Company took into account various factors, including Mr. Chan’s reputation and standing in the film industry and the box office revenue generated by a number of his film productions, as well as the opportunities and prospects of Mr. Chan working with the Group going forward, as set forth in this announcement under the heading “Reasons for and Benefits of the Arrangements with Mr. Chan”.

To the best of the Board’s knowledge, information and belief and having made all reasonable enquiries, Mr. Chan is not a connected person of the Company and is an Independent Third Party as at the date of the Agreement.

## **Film Production Services and Distribution Rights**

Under the terms of the Agreement, Mr. Chan will provide to the Group certain services, and investment and other rights, relating to film productions during the Service Period as follows:

- (a) the Group will have priority over others to invest in Mr. Chan's Productions during the Service Period, up to a maximum of 60% of the total investment amount in each of Mr. Chan's Productions (the "**Film Production Investment Rights**"). The exact investment amount in each of Mr. Chan's Productions is to be agreed between the Company and Mr. Chan prior to the production of the relevant film;
- (b) Mr. Chan will ensure that, within the Initial Service Period, the Group would be able to successfully exercise its Film Production Investment Rights with respect to, and would be able to participate in the investment of, at least two of Mr. Chan's Productions;
- (c) the Group will have priority over others to purchase exclusive global distribution licenses in New Media with respect to Mr. Chan's Productions (the "**New Media Distribution Rights**"). The amount of the consideration for New Media Distribution Rights is subject to negotiation and agreement;
- (d) Mr. Chan will use his best endeavours to provide the Group with participation rights with respect to investments in Other Productions; and
- (e) Mr. Chan will be appointed to the Company's Artistic Advisory Committee and will also, from time to time, provide consultancy services to the Company in respect of films and programmes.

## **Fees and Allocation of Distribution Profits**

Subject to any further detailed terms as may be provided in the relevant investment and production agreement, the Distribution Profits arising from an Invested Production will be allocated as follows:

- (a) If the Group is not the sole investor in an Invested Production, the Distribution Profits in respect of that production will be allocated to the Group and other investors on a pro rata basis in proportion to their respective amount of cash investment; and
- (b) If the Group is the sole investor in an Invested Production, the Group will first deduct from the Distribution Profits an amount equivalent to the amount of cash contributed by the Group, following which 60% of the remaining Distribution Profits will be allocated to the Group and 40% will be allocated to Mr. Chan (or his Affiliates).

All revenue arising from New Media Distribution Rights through the Group's own platform or any third party platform that the Group may authorize will belong to the Group.

All other fees or payments (such as film director fees, creative member fees and bonus) will be agreed separately for each of the Mr. Chan's Productions and Other Productions.

### **Development Fund**

The Group will contribute HK\$100 million for the development of Mr. Chan's Productions (the "**Development Fund**"), which amount will be paid to Mr. Chan (or his nominee) within three Business Days of the Completion Date.

In the event that the Agreement is terminated, any amount of the Development Fund remaining unutilised, will be returned by Mr. Chan to the Group within 15 days of termination.

### **Conditions**

The Company will issue and allot Mr. Chan's Shares to Mr. Chan within ten Business Days of the satisfaction or waiver of the conditions set forth in the Agreement, which include, among others:

- (a) the representations and warrants made by Mr. Chan set forth in the Agreement remaining true, accurate and complete; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in Mr. Chan's Shares.

If any of the conditions have not been fulfilled, satisfied or, if applicable, waived on or before the Longstop Date, neither the Company nor Mr. Chan will be bound to proceed with the Issuance or the transactions contemplated under the Agreement and the Agreement will cease to have any effect save as to any antecedent breach of the Agreement.

**The Issuance will only take effect upon Completion, which is subject to a number of conditions. As such, the Issuance and the transactions contemplated under the Agreement may or may not proceed.**

## **D. REASONS FOR AND BENEFITS OF THE ARRANGEMENTS WITH MR CHAN**

The Group is principally engaged in the media and entertainment businesses, as well as the provision of property agency and related services, and securities trading and investments, and advertising agency businesses.

As set out in the annual report of the Company for the year ended December 31, 2015, despite a slowdown in the overall PRC economy in the past year and expected slower economic growth in the coming year, the market is generally optimistic about the prospects of the film industry and new media-related industries in the PRC. The PRC Central Government has been promoting and encouraging further developments in relation to the internet industry generally. China's draft *Film Industry Promotion Law* (“電影產業促進法(草案)”) contemplates a more efficient film examination process as well as incentives and further copyright protections for local productions. The Board considers that the foregoing serves to reinforce the belief of the board, as well as that of industry observers and participants, that the PRC film and new media industry is a “sunrise” industry with promising potential and many new opportunities.

Mr. Chan is a leading filmmaker in the PRC, having established himself as a preeminent producer-director with over 190 film awards out of over 320 nominations. His groundbreaking musical, *Perhaps Love* (“如果•愛”) (2005), was one of the year's most critically acclaim films, and was honored with a record of 29 awards. *The Warlords* (“投名狀”) (2007) swept the 27th HKFA, most notably Best Film and Best Director. The following blockbuster he produced, *Bodyguards and Assassins* (“十月圍城”) (2009), scored a total of 35 film awards, including 5 Best Film and 5 Best Director awards. Mr. Chan was producer-director of *Wu Xia* (“武俠”) (2011), which was the only Chinese film invited into the 64th Cannes Film Festival, and which was voted as one of the “10 Best Movies of 2012” by Time magazine. *American Dreams in China* (“中國合伙人”) (2013) took the top honor of Best Director, Best Picture and Best Actor at the 29th Golden Rooster Awards and generated over RMB537 million in the PRC box office alone. Not only did *Dearest* (“親愛的”) (2014), a film directed by Mr. Chan, enter the 71st Venice International Film Festival, it also won Zhao Wei the title of “Best Actress” at the 34th Hong Kong Film Awards. In addition, the film was awarded “Best Actress” (Zhao Wei) and “Best Film”, and making Mr. Chan the “Best Director” at the 16th Huading Awards. Mr. Chan is the first Hong Kong director to receive the Best Director Award in Golden Rooster Awards and the only director who has garnered Best Director awards from China, Hong Kong and Taiwan.

The Board is of the view that, having regard to the highly competitive film industry, the participation of Mr. Chan in the Company and the services and opportunities he would be providing under the Agreement would help the Company secure film investment opportunities and would also further strengthen the Group's advertising, media and entertainment businesses. The Board considers that the Agreement represents a key step forward in the implementation of the Company's development plan as set forth in the Company's circular dated August 5, 2015.

During the negotiations with Mr. Chan with respect to the scope of his services and commitments and the terms of the Agreement, including but not limited to the number of Shares to be issued under the Agreement, the Board considered, among other things, the box office performances of the films directed or produced by Mr. Chan, as well as the above-mentioned film investment and other opportunities that Mr. Chan can bring to the Group going forward.

The terms and structure of the Agreement which includes the Issuance of Shares would enable the Group to have the benefit of the opportunities and Mr. Chan's services described above without any immediate cash outlay by the Company. This would enable the Company to retain more cash for the general working capital of the Group and would also facilitate development funding and future cash investments in film productions and investments including in Mr. Chan's Productions. In addition, these arrangements including the Issuance would broaden the Company's shareholder base and also facilitate the Group and Mr. Chan to further explore potential opportunities in the film business. Accordingly, the Board considers it to be in the interests of the Company and its Shareholders as a whole that Shares be issued under the Agreement.

The Board looks forward to a productive relationship with Mr. Chan, and the resulting synergy and the opportunities that are critical to the Company in the development of the film business going forward.

#### **E. EFFECT OF THE ISSUANCE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

The illustrative shareholding structure of the Company as at the date of this announcement and immediately after the Completion is as follows (assuming there will not be any change in the issued share capital of the Company from the date of the Agreement to the Completion Date save for the Issuance):

<b>Names of Shareholders</b>	<b>As at the date of this announcement</b>		<b>Immediately after Completion</b>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Newwood Investments Limited	461,711,082	20.00	461,711,082 <i>(Notes 1 to 3)</i>	18.82
Numerous Joy Limited	92,342,216	4.00	92,342,216 <i>(Notes 1 to 3)</i>	3.76
Pacific Wits Limited	438,625,528	19.00	438,625,528 <i>(Notes 1, 2 &amp; 4)</i>	17.88
Tairong Holdings Limited	438,625,528	19.00	438,625,528 <i>(Notes 1, 2 &amp; 5)</i>	17.88
Dayunmony Investment Corporation	46,171,108	2.00	46,171,108 <i>(Notes 1 &amp; 6)</i>	1.88
Concept Best Limited	46,171,108	2.00	46,171,108 <i>(Notes 1 &amp; 7)</i>	1.88
Mr. Chan	0	0.00	144,500,000	5.89
Other public Shareholders	784,908,838	34.00	784,908,838	32.00
<b>Total</b>	<u>2,308,555,408</u>	<u>100.00</u>	<u>2,453,055,408</u>	<u>100.00</u>



Upon Completion and Issuance, Mr. Chan will not become a substantial Shareholder.

*Notes:*

1. On April 14, 2015, the Company and nine subscribers, namely Newwood Investments Limited (“**Newwood**”), Numerous Joy Limited (“**Numerous Joy**”), Pacific Wits Limited (“**Pacific Wits**”), Tairong Holdings Limited (“**Tairong**”), Wise Dragon International Limited, Gold Shine Investment Company Limited, Dayunmony Investment Corporation (“**Dayunmony**”), Concept Best Limited (“**Concept Best**”) and Reorient Global Limited (collectively, the “**Subscribers**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, a total of 1,701,416,556 new Shares (the “**Subscription Shares**”) at an issue price of HK\$0.4 per Share (the “**Subscription**”). Details of the Subscription were set out in the Company’s circular dated August 5, 2015. The Subscription was approved by the independent shareholders of the Company at the Company’s special general meeting held on August 28, 2015 and the Subscription Shares were allotted to the Subscribers on September 2, 2015.
2. On April 14, 2015, Mr. Dong Ping (the Chairman and an executive Director of the Company, “**Mr. Dong**”), Newwood, Pacific Wits, Mr. Ning Hao (a non-executive Director, “**Mr. Ning**”), Tairong and Mr. Xu Zheng (a non-executive Director, “**Mr. Xu**”) entered into a shareholders agreement (the “**Shareholders Agreement**”), which sets forth certain rights and obligations of each of the parties in respect of the governance of the Company following completion of the Subscription. Newwood is therefore deemed to be interested in all the Shares in which Mr. Dong, Pacific Wits and Tairong are interested by virtue of section 317 of the SFO.
3. Newwood and Numerous Joy are wholly owned by Mr. Dong. Pursuant to the Subscription Agreement, Newwood and Numerous Joy subscribed for 461,711,082 and 92,342,216 new Shares respectively upon completion of the Subscription. Mr. Dong is also a party to the Shareholders Agreement, is therefore deemed to be interested in all the Shares in which Newwood, Pacific Wits and Tairong are interested by virtue of section 317 of the SFO.
4. Pacific Wits is wholly owned by Mr. Ning. Pursuant to the Subscription Agreement, Pacific Wits subscribed for 438,625,528 new Shares upon completion of the Subscription. Mr. Ning and Pacific Wits are also the parties to the Shareholders Agreement, are therefore deemed to be interested in all the Shares in which Mr. Dong, Newwood and Tairong are interested by virtue of section 317 of the SFO.
5. Tairong is wholly owned by Mr. Xu. Pursuant to the Subscription Agreement, Tairong subscribed for 438,625,528 new Shares upon completion of the Subscription. Mr. Xu and Tairong are also the parties to the Shareholder Agreement, are therefore deemed to be interested in all the Shares in which Mr. Dong, Newwood and Pacific Wits are interested by virtue of section 317 of the SFO.
6. Dayunmony is ultimately wholly owned by Mr. Gao Zhikai (a non-executive Director).
7. Concept Best is ultimately wholly owned by Mr. So Chak Kwong (a non-executive Director).

## **F. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save for the issuance of certain new Shares on September 2, 2015, the Company has not carried out any fund raising activity by the issuance of equity securities of the Company in the 12 months preceding the date of this announcement.

## **G. APPLICATION FOR LISTING**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Mr. Chan's Shares on the Stock Exchange.

## **H. DEFINITIONS**

“Affiliates”	With respect to a specified person, directly or indirectly, controls such person or is controlled by the said person or is under common control with the said person, where “control” means power and ability to direct, directly or indirectly, or share equally in or cause the direction of, the management and/or policies of a person, whether through ownership of voting shares or other equivalent interests of the controlled person, by contract (including proxy) or otherwise
“Agreement”	Has the meaning given to that term in the section of this Announcement headed “Introduction”
“Annual General Meeting”	The annual general meeting of the Company held on June 1, 2016
“Board”	The board of directors of the Company
“Business Day”	A day other than (i) Saturday, Sunday or public holiday); or (ii) on which licensed banks are closed for general banking business in Hong Kong or the PRC
“Company”	Huanxi Media Group Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1003)
“Completion”	Completion of the Issuance in accordance with the terms and conditions of the Agreement



“Completion Date”	The date on which the Issuance occurs, which is to be within ten Business Days after all of conditions precedent set forth in the are satisfied or waived
“Development Fund”	Has the meaning given to that term in the section of this Announcement headed “Summary of the Agreement – Development Fund”
“Distribution Profits”	All revenues arising out of the use or licencing of the copyrights to an Invested Production and other revenues derived from commercial development of the Invested Productions within a period of 15 years commencing from the Company’s approval on the investment and production of the Invested Productions, less certain distribution expenses
“General Mandate”	The general mandate to allot, issue and deal with the Shares granted to the Board by resolutions of the Shareholders passed at the Annual General Meeting
“Group”	The Company and its Affiliates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Huanxi Subsidiary”	歡歡喜喜(天津)文化傳播有限公司, a company incorporated in Tianjin, PRC, an indirect wholly-owned subsidiary of the Company
“Independent Third Party”	Third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules)
“Initial Service Period”	A term of six years commencing from the Completion Date

“Invested Production”	A film that constitutes a Mr. Chan’s Production in respect of which the Company has successfully exercised its Film Production Investment Rights and has participated or is participating as an investor
“Issuance”	The issuance and allotment of Mr. Chan’s Shares pursuant to the Agreement
“Longstop Date”	December 31, 2016 (or any other date to be agreed by the parties under the Agreement)
“Mr. Chan”	Mr. Chan Ho Sun Peter
“Mr. Chan’s Production”	A film directed (or co-directed) by Mr. Chan that is or is intended to be become publicly screened at cinemas in the PRC
“Mr. Chan’s Shares”	144,500,000 new Shares to be allotted and issued by the Company to Mr. Chan pursuant to the Agreement
“New Media”	Any form of media (other than traditional cinemas, satellites, cable televisions, free or paid television channels, audio-visual products) including but not limited to, content distributed through the internet, broadband, mobile internet technology, such as webpage video, cellphone video application, Pad (Tablet Personal Computer) video application, PC (Personal Computer) video application, internet television, IPTV (Internet Protocol Television) and other media applications that may be invented in the future
“Other Productions”	Films and programmes (including films, television drama series, online drama series and other television programmes) not directed by Mr. Chan but in respect of which he is either the producer, screenwriter, or other creative member
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Service Period”	The Initial Service Period plus an extension of up to a further six years as may be agreed between the Company and Mr. Chan under the Agreement
“Share(s)”	The ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	Percentage

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

Hong Kong, June 1, 2016

*As at the date of this announcement, the Board comprises Mr. Dong Ping (Chairman) 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.*