

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 MASTER CHINA FILMS LIMITED**

On June 1, 2016 (after trading hours), the Company and one of its indirect wholly-owned subsidiaries entered into the Agreement with Master China Films Limited, a company indirectly wholly-owned by Mr. Wong Kar Wai, pursuant to which Master China Films has conditionally agreed to provide to the Group with certain services, and investment rights, and other rights relating to film productions as set forth in the Agreement. Pursuant to the Agreement, the Company has conditionally agreed to allot and issue 100,000,000 Shares to Master China Films (or its nominee). The Master China Films Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

The Master China Films Shares represent (i) approximately 4.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.15% 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 the Master China Films 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 Master China Films, pursuant to which Master China Films has conditionally agreed to provide to the Group with certain services, and investment rights, and other rights relating to film productions (the “**Agreement**”). Pursuant to the Agreement, the Company has conditionally agreed to allot and issue 100,000,000 Shares to Master China Films (or its nominee). The Master China Films Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

The Master China Films Shares represent (i) approximately 4.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.15% 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 THE MASTER CHINA FILMS SHARES UNDER GENERAL MANDATE

The Master China Films 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 the services and commitments to be provided by Master China Films 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. Wong’s reputation and standing in the film industry especially in contemporary cinema, his widespread recognition as a leading avant-garde filmmaker, and the box office revenue generated by his film productions, as well as the opportunities and prospects of Master China Films working with the Group in internet drama series and New Media going forward, as set forth in this announcement under the heading “Reasons for and Benefits of the Arrangements with Master China Films”.

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, neither Master China Films nor Mr. Wong is a connected person of the Company and each of them is an Independent Third Party as at the date of the Agreement.

Film Production Services and Distribution Rights

Under the terms of the Agreement, Master China Films will provide to the Group certain services, investment rights, and other rights, relating to certain film productions as follows:

- (a) during the Service Period, the Group will have the exclusive right to invest in an internet drama series with two seasons (with a total of eighteen episodes) produced by Master China Films and partially directed by Mr. Wong with respect to themes to be agreed by the Company and Master China Films ("**Mr. Wong's Productions**");
- (b) Master China Films will grant internet distribution rights to the Group in New Media with respect to each of Mr. Wong's Productions on a global and exclusive basis for a term of ten years commencing from the delivery of the relevant production to the Company (the "**Distribution Term**");
- (c) Master China Films will use its best endeavours to procure Mr. Wong to provide the Group with priority participation rights with respect to investments in Other Productions; and
- (d) Mr. Wong is expected to be appointed to the Company's Artistic Advisory Committee to provide consultancy services to the Company in respect of the Company's films and programmes.

Allocation of Distribution Profits

Subject to any further detailed terms as may be provided in the relevant investment and production agreement, any revenues arising out of distribution of Mr. Wong's Productions within the Distribution Term will be allocated as follows:

- (a) Distribution on all New Media: any revenues arising out of distribution of Mr. Wong's Productions on New Media on a global basis will be allocated to the Group; and
- (b) Distribution on any channels other than New Media: any revenues arising out of the distribution of Mr. Wong's Productions on any channels other than New Media, net of relevant distribution expenses agreed among the parties, will be allocated to the Group and Master China Films on a 50:50 basis.

Development Fund

The Group will contribute an amount equivalent to between RMB20 million to RMB25 million for the development of each episode of Mr. Wong's Productions (the "**Development Fund**"), RMB100 million of which will be paid in advance to Master China Films within three Business Days of the signing of the Agreement and the amount of further contribution is subject to negotiation and agreement.

In the event that the Agreement is terminated or upon the public screening of the second season of Mr. Wong's Productions, any amount of the Development Fund remaining unutilized will be returned by Master China Films to the Group within 30 Business Days of the termination or the public screening, as the case may be.

Conditions

The Company will issue and allot the Master China Films Shares to Master China Films (or its nominee) within ten Business Days of the satisfaction or waiver of the conditions set forth in the Agreement, which include, among other things:

- (a) the representations and warrants made by Master China Films 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 the Master China Films 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 Master China Films 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 MASTER CHINA FILMS

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. Wong has received widespread critical acclaim, and is widely regarded as a leading producer and director, in contemporary cinema. Renowned and popular films directed by him include “As Tears Go By” (“旺角卡門”), “Days of Being Wild” (“阿飛正傳”), “Ashes of Time” (“東邪西毒”), “In the Mood for Love” (“花樣年華”), “Happy Together” (“春光乍洩”), as well as “The Grandmaster” (“一代宗師”). Other critical acclaims include: the British Film Institute in 2002 naming him the third greatest director of the previous quarter of a century and *Variety* naming him as an “icon” of arthouse cinema in 2015. The Board is of the view that having regard to the highly competitive film industry, the collaboration with Master China Films and the services and opportunities it would be providing under the Agreement, especially in internet drama series and New Media, 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 would be beneficial to the Group, as it 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 negotiation with Master China Films with respect to the scope of Mr. Wong's services and commitments and the terms of the Agreement, including but not limited to the number of Shares to be issued to Master China Films under the Agreement, the Board has considered, among other things, the box office performances of the films directed or produced by Mr. Wong as well as the above mentioned film investment and other opportunities that Mr. Wong 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. Wong'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. Wong's Productions. In addition, these arrangements including the Issuance would broaden the Company's shareholder base and also facilitate the Group and Mr. Wong 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. Wong, 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 this announcement to the Completion Date save for the Issuance):

Names of Shareholders	As at the date of this announcement		Immediately after Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Newwood Investments Limited	461,711,082	20.00	461,711,082 <i>(Notes 1 to 3)</i>	19.17
Numerous Joy Limited	92,342,216	4.00	92,342,216 <i>(Notes 1 to 3)</i>	3.83
Pacific Wits Limited	438,625,528	19.00	438,625,528 <i>(Notes 1, 2 & 4)</i>	18.21
Tairong Holdings Limited	438,625,528	19.00	438,625,528 <i>(Notes 1, 2 & 5)</i>	18.21
Dayunmony Investment Corporation	46,171,108	2.00	46,171,108 <i>(Notes 1 & 6)</i>	1.92
Concept Best Limited	46,171,108	2.00	46,171,108 <i>(Notes 1 & 7)</i>	1.92
Master China Films	0	0.00	100,000,000	4.15
Other public Shareholders	784,908,838	34.00	784,908,838	32.59
Total	2,308,555,408	100.00	2,408,555,408	100.00

Upon Completion and Issuance, Master China Films will not become a substantial Shareholder.

Notes:

- 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, the Master China Films Shares on the Stock Exchange.

H. DEFINITIONS

“Affiliates”	With respect to a specified person, directly or indirectly, wholly owns such person or is wholly owned by the said person
“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 within ten Business Days after all of conditions precedent set forth in the Agreement 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 Term”	Has the meaning given to that term in the section of this Announcement headed “Summary of the Agreement – Film Production Services and Distribution Rights”
“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”	Gain Flow Developments Limited, a company incorporated in British Virgin Islands, 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)
“Issuance”	The issuance and allotment of the Master China Films Shares pursuant to the Agreement
“Longstop Date”	Three months after the date of the Agreement
“Master China Films”	Master China Films Limited, a company incorporated in the British Virgin Islands, the entire share capital of which is indirectly owned by Mr. Wong
“Master China Films Shares”	100,000,000 new Shares to be allotted and issued by the Company to Master China Films pursuant to the Agreement
“Mr. Wong”	Mr. Wong Kar Wai
“Mr. Wong’s Productions”	Has the meaning given to that term in the section of this Announcement headed “Summary of the Agreement – Film Production Services and Distribution Rights”
“New Media”	Any form of media through internet transmission, 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)
“Other Productions”	Films and programmes (including films, television drama series, online drama series and other television programmes), in respect of which Mr. Wong is either the director, the producer, screenwriter, lead actor or other creative member

“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Service Period”	A term of six years or a term from the date of the Agreement until when Master China Films has delivered all of Mr. Wong’s Productions to the Company, whichever is earlier to occur, commencing from the date of the Agreement, and subject to renewal to be agreed between the Company and Master China Films pursuant to the Agreement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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.