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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  
THE ENTERING INTO A COOPERATION AGREEMENT**

On 24 May 2018 (after trading hours), the Company entered into the Cooperation Agreement with Unique Swift Limited, a company having an exclusive investment right of certain internet drama series productions of Mr. Zhang Yimou, pursuant to which Unique Swift has conditionally agreed to procure Mr. Zhang Yimou to provide the Company (or its designated Group Member) with certain services, investment and other rights, relating to certain internet drama series productions as set forth in the Cooperation Agreement. Mr. Zhang Yimou has also signed and agreed to execute the terms and conditions of the Cooperation Agreement applicable to him. Pursuant to the Cooperation Agreement, the Company has conditionally agreed to allot and issue 150,000,000 Shares to Unique Swift (or its designated company) and to pay RMB100,000,000 to the team/organisation designated by Mr. Zhang Yimou as its operating fund for operating the projects to be cooperated during the Cooperation Period. The New Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

The New Shares represent (i) approximately 5.42% of the existing issued shares of the Company as at the date of this announcement; (ii) approximately 5.14% of the issued shares of the Company as enlarged by the issuance of the New Shares (assuming that there will be no change in the issued shares of the Company between the date of this announcement and the Completion Date save for the issuance of the New Shares).

\* For identification purposes only

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 New Shares.

**Shareholders and potential investors should note that completion of the Issuance is subject to fulfillment of the respective conditions under the Cooperation Agreement. The Issuance and the transactions contemplated under the Cooperation 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.**

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 24 May 2018 (after trading hours), the Company entered into the Cooperation Agreement with Unique Swift Limited, a company having an exclusive investment right of certain internet drama series productions of Mr. Zhang Yimou, pursuant to which Unique Swift has conditionally agreed to procure Mr. Zhang Yimou to provide the Company (or its designated Group Member) with certain services, investment and other rights, relating to certain internet drama series productions as set forth in the Cooperation Agreement. Mr. Zhang Yimou has also signed and agreed to execute the terms and conditions of the Cooperation Agreement applicable to him. Pursuant to the Cooperation Agreement, the Company has conditionally agreed to allot and issue 150,000,000 Shares to Unique Swift (or its designated company) and to pay RMB100,000,000 to the team/organisation designated by Mr. Zhang Yimou as its operating fund for operating the projects to be cooperated during the Cooperation Period. The New Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

The New Shares represent (i) approximately 5.42% of the existing issued shares of the Company as at the date of this announcement; (ii) approximately 5.14% of the issued shares of the Company as enlarged by the issuance of the New Shares (assuming that there will be no change in the issued shares of the Company between the date of this announcement and the Completion Date save for the issuance of the New Shares).

## **B. ISSUE OF THE NEW SHARES UNDER GENERAL MANDATE**

The New 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 authorised to allot and issue up to 553,611,081 new Shares. As of the date of this announcement, no Shares have already been allotted and issued under the General Mandate and 553,611,081 Shares remain to be allotted and issued.

## **C. SUMMARY OF THE COOPERATION AGREEMENT**

The terms of the Cooperation Agreement, including the scope of Unique Swift's and Mr. Zhang's services and commitments and the number of New Shares to be issued under the Cooperation 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. Zhang's reputation and standing in the overall film and TV cultural art industry, the box office revenue generated by a number of his film productions and the broad and far-reaching influence of his other film and TV cultural art productions, as well as the opportunities and prospects of Mr. Zhang working with the Group going forward, as set forth in this announcement under the heading "Reasons for and Benefits of the Cooperation Agreement".

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, Unique Swift and Mr. Zhang are not connected persons of the Company and are Independent Third Parties as at the date of the Cooperation Agreement.

### **Investment and distribution rights**

Under the terms of the Cooperation Agreement, Unique Swift will procure Mr. Zhang to provide the Company (or its designated Group Member) certain services, investment and other rights, relating to certain film and internet drama series productions during the Cooperation Period as follows:

- (a) the Company will have the exclusive right to invest in three of internet drama series directed by Mr. Zhang (the "**Zhang Internet Series**"). The theme is to be agreed between the Company and Mr. Zhang;
- (b) the exclusive right to invest in one of the Zhang Internet Series can be replaced by priority rights to invest in a film directed by Mr. Zhang ("**Zhang Film**"), which is not restricted by any contract with third party, during the Cooperation Period for no less than 60% of the total investment amount in the Zhang Film;

- (c) the Company will be granted rights of all tangible and intangible assets and their derivative rights and related rights of Zhang Internet Series under the Cooperation Agreement, except the right of authorship for Unique Swift, the team/organisation designated by Unique Swift, the production house and Mr. Zhang; and
- (d) Mr. Zhang will be appointed to the Company's Artistic Advisory Committee and will also provide consultancy services to the Company in respect of films and programmes.

### **Allocation of distribution profits**

Subject to any further detailed terms as may be provided in the relevant investment and production agreement, the revenue arising from Zhang Internet Series and Zhang Film (if any) (collectively “**Zhang's Productions**”) will be allocated to the Company and other investors on a pro rata basis in proportion to their respective amount of cash investment.

### **Operating fund**

The Company will contribute a total of RMB100 million for the operations of the team/organisation designated by Mr. Zhang for operating the projects to be cooperated during the Cooperation Period which will be paid within fifteen Business Days after signing the Cooperation Agreement.

### **Conditions**

The Company will issue and allot New Shares to Unique Swift (or its designated company) within five Business Days of the satisfaction or waiver of the conditions set forth in the Cooperation Agreement, which include, among others:

- (a) the due execution and delivery of the Cooperation Agreement by Unique Swift to the Company;
- (b) Directors' and Shareholders' approval being obtained for the Cooperation Agreement and the transactions thereunder (if necessary); and
- (c) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the New Shares.

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

Subject to final audit and possible audit adjustment, the Issuance would be recognised as share-based payment expenses which would be charged to the Group's statement of profit or loss.

## D. REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

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.

In April 2017, the Ministry of Culture formally released the “Cultural Industry Development Plan for the 13th Five-Year Plan Period of the Ministry of Culture” (《文化部「十三五」時期文化產業發展規劃》), which particularly encouraged the combination of cultural content and internet technology to support the production of quality online contents and facilitate the dissemination of excellent traditional culture and contemporary content products through internet. The rapid growth of paying members of the online video platform in the PRC has become a new economic growth factor of the cultural industry. As of the first quarter of 2018, the number of paying members of the three major online video platforms in the PRC all surpassed 60 million, and the rich and high-quality content has been the driving force of the growth. As urbanization continues and the Chinese people’s cultural consumption demand matures, the film and TV industry has been growing continuously. Implementation of the “Film Industry Promotion Law of the People’s Republic of China” (《中華人民共和國電影產業促進法》) braces the development of the film industry in the PRC, as it has strengthened protection of intellectual property right and can facilitate structural upgrade of the system, talent, capital and technologies of the film industry. The size of the audiences of film and TV productions is expected to climb to new height in 2018. The large audience base is what powers the creation of contents, and great contents complimented by word-of-mouth shall be reflected in box office. 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 TV and new media industry is a “sunrise” industry with promising potential and many new opportunities.

Mr. Zhang is a renowned film director in the PRC. Renowned and popular films directed by him include *Red Sorghum* (紅高粱), *Ju Dou* (菊豆), *Raise the Red Lantern* (大紅燈籠高高掛), *The Story of Qiu Ju* (秋菊打官司), *To Live* (活著), *Not One Less* (一個都不能少), *The Road Home* (我的父親母親), *Hero* (英雄), *House of Flying Daggers* (十面埋伏), *Curse of the Golden Flower* (滿城盡帶黃金甲), *The Flowers of War* (金陵十三釵), *Coming Home* (歸來), as well as *The Great Wall* (長城). The films directed by Mr. Zhang have won many awards at international film festivals and have been the top of box office of the year for several times among the Chinese films. The Board is of the view that, having regard to the highly competitive film and TV and new media industry,

the collaboration with Unique Swift and Mr. Zhang and the services and opportunities it would be providing under the Cooperation Agreement would help the Company secure film and TV and new media investment opportunities and would also further strengthen the Group's media and entertainment businesses. The Board considers that the Cooperation Agreement represent a key step forward in the implementation of the Company's development plan.

During the negotiations with Unique Swift with respect to the scope of Mr. Zhang's services and commitments and the terms of the Cooperation Agreement, including but not limited to the number of Shares to be issued under the Cooperation Agreement, the Board considered, among other things, the box office performances of the films directed or produced by Mr. Zhang and the broad and far-reaching influence of his other film and TV cultural art productions, as well as the above-mentioned film and TV and new media investment and other opportunities that Mr. Zhang can bring to the Group going forward.

The terms and structure of the Cooperation Agreement which includes the Issuance would enable the Group to have the benefit of the opportunities and Mr. Zhang's services described above. In addition, these arrangements including the Issuance would broaden the Company's shareholder base and also facilitate the Group to further explore potential opportunities with Mr. Zhang in the film and TV and new media 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 Cooperation Agreement.

The Board looks forward to a productive relationship with Unique Swift and Mr. Zhang and the resulting synergy and the opportunities that are critical to the Company in the development of the film and TV and new media 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 shares of the Company from the date of the Cooperation Agreement to the Completion save for the Issuance):

Names of Shareholders	As at the date of this announcement		Immediately after Completion	
	<i>No. of shares</i>	<i>Approx.</i>	<i>No. of shares</i>	<i>Approx.</i>
Newwood Investments Limited	461,711,082 (Notes 1 to 3)	16.68%	461,711,082	15.82%
Numerous Joy Limited	92,342,216 (Notes 1 to 3)	3.34%	92,342,216	3.16%
Mr. Dong Ping	4,490,000 (Notes 1 & 3)	0.16%	4,490,000	0.15%
Pacific Wits Limited	438,625,528 (Notes 1, 2 & 4)	15.85%	438,625,528	15.03%
Tairong Holding Limited	438,625,528 (Notes 1, 2 & 5)	15.85%	438,625,528	15.03%
Dayunmony Investment Corporation	46,171,108 (Note 6)	1.67%	46,171,108	1.58%
Panfaith Investments Limited	8,850,000 (Note 7)	0.32%	8,850,000	0.30%
Mr. Zhang Xiaoling	140,000,000 (Note 8)	5.06%	140,000,000	4.80%
Unique Swift (or its designated company)	–	0.00%	150,000,000	5.14%
Other public Shareholders	1,137,239,946	41.08%	1,137,239,946	38.97%
<b>Total</b>	<b>2,768,055,408</b>	<b>100.00%</b>	<b>2,918,055,408</b>	<b>100.00%</b>

Upon the Completion and Issuance, Unique Swift (or its designated company) will not become a substantial Shareholder.



*Notes:*

1. On 14 April 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 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 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 5 August 2015. The Subscription was approved by the independent shareholders of the Company at the Company’s special general meeting held on 28 August 2015 and the Subscription Shares were allotted to the Subscribers on 2 September 2015.
2. On 14 April 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 Shares respectively upon completion of the Subscription. Mr. Dong also holds 4,490,000 Shares. 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 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 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. Panfaith Investments Limited is ultimately wholly owned by Mr. Li Xiaolong (an independent non-executive Director).
8. Being the number of Shares set out in the “FORM 1 – Individual Substantial Shareholder Notice” dated 15 December 2016.

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

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 New Shares on the Stock Exchange.

## **H. DEFINITIONS**

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

“Annual General Meeting”	the annual general meeting of the Company held on 2 June 2017
“Board”	the board of Directors
“Business Day”	a day other than (i) Saturday, Sunday or public holiday; or (ii) on which 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, the Shares of which are listed on the Stock Exchange
“Completion”	the completion of the Issuance in accordance with the terms and conditions of the Cooperation Agreement
“Completion Date”	the date on which the Issuance occurs, which is to be within five Business Days after all of conditions precedent set forth in the Cooperation Agreement are satisfied or waived
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 24 May 2018 entered into by the Company and Unique Swift in respect of the cooperation
“Cooperation Period”	A term of six years commencing from the effective date of the Cooperation Agreement (being the Completion Date) and a further four years which is automatically extended if Zhang’s Productions have not been completed within the first six years
“Director(s)”	the director(s) of the Company

“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 subsidiaries
“Group Member”	a member of the Group
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Issuance”	the issuance and allotment of the New Shares pursuant to the Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Yimou (張藝謀)
“New Media”	any form of media (on a global basis) (other than traditional cinemas) 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), satellites, cable televisions, free or paid television channels, audio-visual products, audio or video equipment or any other terminals or equipment (via internet cafes, hotels, aircrafts, trains, vehicles) or other media applications that may be invented in the future
“New Shares”	150,000,000 new Shares to be allotted and issued by the Company to Unique Swift (or its designated company) pursuant to the Cooperation Agreement
“PRC”	The People’s Republic of China, for the purposes of this announcement, excluding Hong Kong and Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“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)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning as ascribed to it in the Listing Rules
“Unique Swift”	Unique Swift Limited (唯臻有限公司), a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding. A company having an exclusive investment right of certain internet drama series productions of Mr. Zhang Yimou
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“%”	per cent.

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

Hong Kong, 24 May 2018

*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 and Mr. Gao Zhikai as non-executive directors, and Mr. Su Tuong Sing, David, Mr. Li Xiaolong and Mr. Wong Tak Chuen as independent non-executive directors.*