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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)

**AMENDED AND RESTATED COOPERATION AGREEMENT
AND
PROPOSED ISSUANCE OF
NEW SHARES UNDER GENERAL MANDATE**

Reference is made to the announcements of Huanxi Media Group Limited (the “**Company**”) dated 24 May 2018, 14 June 2018 and 15 August 2018 (the “**Announcements**”) in relation to, among other things, the Cooperation Agreement (as amended by the Supplemental Agreement and by the Second Supplemental Agreement) and the Issuance. Unless otherwise stated, capitalised terms used in this announcement have the same meanings as those defined in the Announcements.

THE AMENDED AND RESTATED COOPERATION AGREEMENT

The Board announces that on 11 September 2018 (after trading hours), the Company, Unique Swift and Mr. Zhang Yimou (“**Mr. Zhang**”) entered into an amended and restated cooperation agreement (the “**Amended and Restated Cooperation Agreement**”) to make certain amendments to the Cooperation Agreement. Set out below are the key amendments:

- (1) Mr. Zhang has been added as a party to the Cooperation Agreement and each of Unique Swift and Mr. Zhang shall be jointly and severally liable for all obligations of each other under the Amended and Restated Cooperation Agreement. Pursuant to these amendments, if Unique Swift fails to comply with its obligations under the Cooperation Agreement, Mr. Zhang will need to comply with such obligations.

* For identification purposes only

- (2) The operating fund in the amount of RMB100 million (equivalent to approximately HK\$115,000,000) (the “**Operating Fund**”) shall be payable to the team/organisation designated by Mr. Zhang (the “**Zhang Studio**”) in three instalments as follows:
 - (i) the first instalment in the amount of RMB34 million shall be payable within 10 business days after the acceptance of the proposal for the first of Zhang’s Productions;
 - (ii) the second instalment in the amount of RMB33 million shall be payable within 15 business days after the filming and production of the first of Zhang’s Productions has been completed; and
 - (iii) the third and final instalment in the amount of RMB33 million shall be payable within 15 business days after the filming and production of the second of Zhang’s Productions has been completed.
- (3) The usage of the Operating Fund will be subject to reasonableness and the actual need for the operation of the Zhang’s Productions. Zhang Studio is required to report in writing to the Company regarding the usage of the Operating Fund on a half-yearly basis and respond to any queries that the Company may have in relation to the usage of the Operating Fund.
- (4) Within 20 business days after the expiry of the Cooperation Period, if Unique Swift fails to complete three Zhang’s Productions in the Cooperation Period,
 - (i) Zhang’s Studio will refund to the Company the Operating Fund in respect of such incomplete Zhang’s Production(s) in accordance with the terms of the Cooperation Agreement; and
 - (ii) Unique Swift will compensate the Company by, in respect of any one incomplete Zhang’s Production(s), paying the Company an amount equivalent to the market value of 50 million New Shares as of the date of the issuance of such New Shares.
- (5) The Cooperation Period has been amended to a term of six years commencing from the effective date of the Amended and Restated Cooperation Agreement, which shall be automatically extended for two years (originally, four years) if any of the three target projects has not been completed by the end of such initial term of six years.

Save as disclosed above, all other terms and conditions of the Cooperation Agreement (as amended by the Supplemental Agreement and by the Second Supplemental Agreement) remain unchanged.

BASIS FOR DETERMINING THE OPERATING FUND AND THE NUMBER OF NEW SHARES TO BE ISSUED

A total amount of approximately HK\$422.5 million is to be provided to Unique Swift for certain services, and investment and other rights, relating to the Zhang's Productions, which comprise:

- (i) contribution of the Operating Fund of RMB100 million (equivalent to approximately HK\$115 million); and
- (ii) issuance of the New Shares. The closing price of Shares of HK\$2.05 as at the date of the Cooperation Agreement and the monetary value of 150 million Shares totalling approximately HK\$307.5 million.

In respect of the issuance of New Shares and the contribution of Operation Fund, the Directors consider that these would help secure cooperation opportunities with Mr. Zhang. In particular, the Directors consider that the issuance of the New Shares will serve as an incentive for Unique Swift and Mr. Zhang to collaborate with the Company.

Please refer to the section headed "Reasons for and Benefits of Entering into the Amended and Restated Cooperation Agreement" below for the detailed basis for determining the Operating Fund and the number of New Shares to be issued.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AMENDED AND RESTATED COOPERATION AGREEMENT

The Board is of the view that it will be a valuable opportunity for the Company to be able to cooperate with internationally renowned film directors such as Mr. Zhang. If such cooperation materialises, it will be in the interests of the Company and its shareholders as a whole.

During the negotiations with respect to the scope of Mr. Zhang's services and commitments and the terms of the Amended and Restated Cooperation Agreement, including but not limited to the number of New Shares to be issued and the Operation Fund to be contributed by the Company, the Board has considered various alternative incentive arrangements and taken into consideration the following factors:

(a) Latest industry development on online video

According to the report by China Netcasting Services Association (中國網絡視聽節目服務協會) published on 29 November 2017, online videos remained the top among internet entertainment (including online music, gaming and reading) with a usage rate of approximately 75.2% as compared to all internet users as at 30 June 2017.

The number of plays of all internet drama series for the first half of 2017 amounted to approximately 58.1 billion times, representing a significant increase of approximately 146% from approximately 23.6 billion times for the corresponding period in 2016. The number of plays of all internet movies also increased by approximately 29%, from approximately 89.5 billion for the first half of 2016 to approximately 115.8 billion for the first half of 2017. These statistics show that both internet drama series and internet movies are becoming more far-reaching among internet and mobile users in the PRC.

In view of the continuously increasing trend of both the number of audience (whether paying or not) and usage rate related to online video, the Directors are of the view that the industry is prospering and that the Amended and Restated Cooperation Agreement, under which Mr. Zhang will provide services for the Zhang Internet Series and/or Zhang Film, may potentially allow the Company to take advantage of the rapid development of such industry.

(b) Movie box office in the PRC

The Directors have also considered the development of film industry in the PRC. Based on reports by Xinhua Net dated 2 January 2018 and 31 December 2016, box office of all movies in the PRC totalled RMB55.9 billion for year 2017, representing an increase of approximately 13.5% from that of approximately RMB45.7 billion for year 2016. Box office of domestic movies increased from approximately RMB26.7 billion for year 2016 to approximately RMB30.1 billion for year 2017, representing a growth of approximately 12.7%. The number of views in all cinemas in the PRC also rose by approximately 18.1% from approximately 1,372 million to approximately 1,620 million. Given the continuous increase of both box office and number of views, the Board considers that the PRC film industry has promising growth potential and opportunities.

(c) Track record of films directed by Mr. Zhang

Mr. Zhang is an internationally renowned film director. 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 numerous awards at international film festivals and have been the top of box office of the year for several times among the Chinese films.

Given the track record of the performance and receptions of the films directed by Mr. Zhang, the Directors are of the view that Mr. Zhang has extensive experience in film directing and his films are well-received by both the general public and the critics. As such, the Directors consider that the provision of service by Mr. Zhang under the Amended and Restated Cooperation Agreement by producing internet drama series or films for the Company would generate both financial and strategic branding values to the Company.

(d) Potential investment opportunities

In respect of the issuance of New Shares and the contribution of Operation Fund, the Directors consider that these would help secure cooperation opportunities with Mr. Zhang. The introduction of Mr. Zhang to cooperate with the Company would also improve the image of the Company and may provide future investment opportunities for the Group via the network of eminent directors.

(e) Potential revenue streams

Given Mr. Zhang's global reputation as one of China's best film directors, there are various potential revenue streams for Mr. Zhang's internet drama series and movies. The Company may either distribute the Zhang Internet Series to other Chinese online video platforms or release the Zhang Internet Series on its own online video platform (huanxi.com), which is currently expected to be launched in 2019, or do both. The Company may also sell the international streaming rights to global online platforms and realize extra returns. It is increasingly a trend for the Chinese online video platforms to purchase the streaming rights of internet drama series at a fixed cost, together with a revenue-sharing mechanism. The Directors believe that Mr. Zhang's internet drama series has potential of achieving premium pricing from the online video platforms if the Company decides to distribute the series to them.

(f) Potential value of intellectual property rights

Pursuant to the Amended and Restated Cooperation Agreement, the Company will be granted rights of all tangible and intangible assets and their derivative rights and related rights of the Zhang Internet Series. Considering the potential value of the relevant intellectual property rights associated with Mr. Zhang's productions, the Directors are of the view that there may be other possible revenue streams to be generated from the associated intellectual property rights.

Based on the above, the Directors consider that the terms of the Amended and Restated Cooperation Agreement, including the issuance of the New Shares and the contribution of Operation Fund, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

PROPOSED ISSUANCE OF NEW SHARES UNDER GENERAL MANDATE

As disclosed in the announcement of the Company dated 24 May 2018, the New Shares were proposed to be allotted and issued under the general mandate granted to the Board at the Company's annual general meeting held on 2 June 2017 (the "**2017 General Mandate**"). As the 2017 General Mandate has expired, the New Shares will be allotted and issued under the general mandate granted to the Board at the Company's annual general meeting held on 29 June 2018. An application for the listing of, and permission to deal in, the New Shares has been made by the Company to the Stock Exchange.

FORWARD-LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. No statement in this announcement is intended to be a profit forecast or to imply that the earnings of the Company for the current year or future years will necessarily match or exceed the historical or published earnings of the Company.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 11 September 2018

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1.15 equal to RMB1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

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 and Mr. Xu Zheng as non-executive directors, and Mr. Wong Tak Chuen, Mr. Su Tuong Sing, David and Mr. Li Xiaolong as independent non-executive directors.