

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)

**CONNECTED TRANSACTION –
MOVIE INVESTMENT AGREEMENT**

MOVIE INVESTMENT AGREEMENT

The Board is pleased to announce that on 24 December 2018, Huan Huan Xi Xi, an indirect wholly-owned subsidiary of the Company, entered into the Movie Investment Agreement with Tibet Jindouyun, pursuant to which Huan Huan Xi Xi has agreed to invest a sum of RMB12 million (equivalent to approximately HK\$13.68 million) in the production of the Target Film, subject to upward adjustment of up to RMB14.4 million (equivalent to approximately HK\$16.416 million). In addition, Huan Huan Xi Xi agrees to pay RMB5 million (equivalent to approximately HK\$5.7 million) (subject to upward adjustment of up to RMB8 million (equivalent to approximately HK\$9.12 million) for the promotion and distribution expenses of the Target Film.

LISTING RULES IMPLICATIONS

As at the date of the Movie Investment Agreement, Tibet Jindouyun is ultimately owned as to over 50% by Mr. Ning Hao. Mr. Ning Hao is a non-executive Director and the sole ultimate beneficial owner of Pacific Wits Limited (泰穎有限公司), a substantial shareholder of the Company, and thus is a connected person of the Company. As at the date of this announcement, Mr. Ning Hao, through Pacific Wits Limited, holds 438,625,528 Shares, representing approximately 15.03% of the issued Shares of the Company. As such, Tibet Jindouyun is an associate of Mr. Ning Hao and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since 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 purposes only

PRINCIPAL TERMS OF THE MOVIE INVESTMENT AGREEMENT

Date: 24 December 2018

Parties: (1) Huan Huan Xi Xi
(2) Tibet Jindouyun

Subject matter: Huan Huan Xi Xi will invest RMB12 million (equivalent to approximately HK\$13.68 million), being 10% of the estimated total production costs including project development cost, initiation cost of the project, filming costs, post-production costs and other costs for the release of the Target Film totalling approximately RMB120 million (equivalent to approximately HK\$136.8 million). Tibet Jindouyun will invest RMB108 million (equivalent to approximately HK\$123.12 million), being 90% of the estimated total production costs.

In case of over-expenditure caused by circumstances as stipulated below, the maximum investment amount of Huan Huan Xi Xi under the Movie Investment Agreement would be adjusted upward up to RMB14.4 million (equivalent to approximately HK\$16.416 million).

Huan Huan Xi Xi shall bear 10% of the over-expenditure of the Target Film if such over-expenditure is caused by exceptional circumstances (such as the case where the Target Film's creative team members are unable to participate temporarily or permanently in the film production of the Target Film for reasons which are not caused by Huan Huan Xi Xi and cannot be overcome), provided that the amount of the over-expenditure shall not be more than 10% of the total investment of the Target Film (i.e. such over-expenditure borne by Huan Huan Xi Xi shall not be more than RMB1.2 million (equivalent to approximately HK\$1.368 million)).

Huan Huan Xi Xi shall also bear 10% of the over-expenditure of the Target Film if such over-expenditure is caused by force majeure, and all of the over-expenditure of the Target Film if such over-expenditure is caused by breach, non-performance or failure of performance of the obligations under the Movie Investment Agreement (“**Default**”) by Huan Huan Xi Xi, provided that the amount of the over-expenditure due to the reasons mentioned above shall not be more than 10% of the total investment of the Target Film (i.e. such over-expenditure caused by force majeure borne by Huan Huan Xi Xi shall not be more than RMB1.2 million (equivalent to approximately HK\$1.368 million)). The over-expenditure caused by the Default shall not be included in the investment amount and the production investment amount of the Target Film and shall not be deducted before the parties to the Movie Investment Agreement share their profits, nor affect the proportion of investment and the proportion of income distribution of the parties to the Movie Investment Agreement.

Payment of the investment amount:

The investment amount of RMB12 million (equivalent to approximately HK\$13.68 million) shall be paid by Huan Huan Xi Xi within five business days upon signing of the Movie Investment Agreement.

The investment amount was determined after arm's length negotiations between Huan Huan Xi Xi and Tibet Jindouyun 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 Huan Huan Xi Xi's right to the income as to 10% of the profit of the Target Film under the Movie Investment Agreement. It is expected that the investment amount payable by Huan Huan Xi Xi under the Movie Investment Agreement would be funded by internal resources of the Group.

Promotion and distribution expenses:

The promotion and distribution expenses of the Target Film shall be in the range of RMB50 million (equivalent to approximately HK\$57 million) to RMB80 million (equivalent to approximately HK\$91.2 million). If there is any adjustment to the amount of the expenses, it must be jointly determined in writing by the parties. Huan Huan Xi Xi agrees to pay 10% of the promotion and distribution expenses, i.e. RMB5 million (equivalent to approximately HK\$5.7 million) (subject to upward adjustment of up to RMB8 million (equivalent to approximately HK\$9.12 million), which is determined with reference to Huan Huan Xi Xi's investment ratio in the Target Film. The promotion and distribution expenses of the Target Film will be advanced by Tibet Jindouyun and will preferentially be recovered from the distribution income of the Target Firm. It is expected that the promotion and distribution expenses payable by Huan Huan Xi Xi under the Movie Investment Agreement would be funded by internal resources of the Group.

Tibet Jindouyun shall independently exercise the promotion and distribution rights and hence Tibet Jindouyun is entitled to receive an agency fee of 15% of the allocated film distribution income.

Income right:

Huan Huan Xi Xi shall have a right to the income which represents 10% 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)), provided that such profit shall not include the income from the production and development of the film derivative product, the income of the Target Film (global income, business development and product implantation income, participating bonus) that Tibet Jindouyun has obtained before the signing of the Movie Investment Agreement.

Net Income:	The Net Income shall mean the total income including cinema distribution income, copyright income, overseas distribution income and other income of the Target Film after deduction of special fund contribution required by the PRC, various taxes, box office receipts shared by cinemas and cinema circuits, promotion and distribution agent fee, promotion and distribution expense of the Target Film and production cost.
Major production team bonus:	The major production team members (including the producers, director(s), executive producer(s), lead actor(s), etc.) shall be entitled to a bonus, being 35% of the Net Income and entitled to have preferential income distribution right.
Period of Huan Huan Xi Xi's income right:	Huan Huan Xi Xi's income right is for a period of nine years commencing from the date of first commercial release of the Target Film.
Settlement of Huan Huan Xi Xi's income right:	The settlement shall be made every six months within the income right period.

INFORMATION ABOUT THE PARTIES

Huan Huan Xi Xi is principally engaged in film and TV right investments business.

Tibet Jindouyun is principally engaged in TV and movie production.

INFORMATION ABOUT THE TARGET FILM

The Target Film is Tropical Memories (熱帶往事), a Chinese movie expected to be first released no later than 31 December 2019 in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOVIE INVESTMENT AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in media and entertainment and related businesses and other businesses.

The Directors are of the view that the investment in the Target Film is in line with the Group's principal business and its development in the media and entertainment industry. The Directors consider that the investment would be beneficial to the Group as the investment represents a step forward in the implementation of the Group's development plan.

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 and that the terms of the Movie Investment Agreement are fair and reasonable and in the interests of the Company and shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As at the date of the Movie Investment Agreement, Tibet Jindouyun is ultimately owned as to over 50% by Mr. Ning Hao. Mr. Ning Hao is a non-executive Director and the sole ultimate beneficial owner of Pacific Wits Limited (泰穎有限公司), a substantial shareholder of the Company, and thus is a connected person of the Company. As at the date of this announcement, Mr. Ning Hao, through Pacific Wits Limited, holds 438,625,528 Shares, representing approximately 15.03% of the issued Shares of the Company. As such, Tibet Jindouyun 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 Chapter 14A of the Listing Rules.

As 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.

Mr. Ning Hao has a material interest in the Transaction and has abstained from voting on the board resolution approving the Movie Investment Agreement 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 Agreement and the Transaction.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“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 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

“Dirty Monkey Tianjin”	天津壞猴子影業有限公司 (Tianjin Dirty Monkey Films Company Limited*), a company established in the PRC and is ultimately owned as to over 50% by Mr. Ning Hao
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huan Huan Xi Xi”	歡歡喜喜(天津)文化投資有限公司 (Huan Huan Xi Xi (Tianjin) Culture Investment Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Movie Investment Agreement”	The co-investment agreement dated 24 December 2018 entered into between Huan Huan Xi Xi and Tibet Jindouyun in relation to the investment in the production of the Target Film
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Target Film”	Tropical Memories (熱帶往事), a film directed by Wen Shipai (溫仕培), produced by Ning Hao (寧浩) and starring Eddie Peng Yu-Yan (彭于晏)
“Tibet Jindouyun”	西藏筋斗雲影業有限公司 (Tibet Jindouyun Film Company Limited*), a company established in the PRC and wholly-owned by Dirty Monkey Tianjin

“Transaction” the transaction as contemplated under the Movie Investment Agreement

“%” per cent

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

Hong Kong, 24 December 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\$1.14 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.