
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **Huanxi Media Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Huanxi Media Group Limited

歡喜傳媒集團有限公司*

(Formerly known as 21 Holdings Limited 21控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF FILM INCOME RIGHT**
- (2) PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS**
- (3) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME**
- AND**
- (4) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 15 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 28 of this circular.

A notice convening the SGM to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 16 December 2015, Wednesday at 10:00 a.m. is set out on pages 42 to 44 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* for identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	15
Letter from the Independent Financial Adviser	16
Appendix I — General Information	29
Appendix II — Details of the Retiring Directors Proposed to be Re-elected at the SGM	36
Notice of SGM	42

For illustration purposes, RMB is converted into HK\$ at RMB1 = HK\$1.22 in this circular.

The English translation of the PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations in Chinese, etc. included in this circular is included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the proposed acquisition by the Purchaser of the Vendor’s Income Right from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 21 September 2015 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Announcement”	the announcement of the Company dated 21 September 2015
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than (i) Saturday, Sunday or a public holiday; or (ii) any day commercial banks must close under the relevant laws and regulations of the PRC or Hong Kong
“Circular”	the circular of the Company dated 5 August 2015 in respect of, among other things, the subscription of new Shares
“Company”	Huanxi Media Group Limited (formerly known as 21 Holdings Limited) (stock code: 1003), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the third Business Day after the conditions precedent in the Agreement have been fulfilled (or, if applicable, waived)
“Concept Best”	Concept Best Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. So Chak Kwong
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Dayunmony”	Dayunmony Investment Corporation, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Gao Zhikai
“Director(s)”	director(s) of the Company

DEFINITIONS

“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
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Su Tuong Sing, David, Mr. Li Xiaolong and Mr. Wong Tak Chuen, established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than (i) Mr. Xu Zheng and his associates; and (ii) all other Shareholders who are interested in the Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	26 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Newwood”	Newwood Investments Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong Ping
“Numerous Joy”	Numerous Joy Limited (多樂有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong Ping
“Option(s)”	option(s) granted under the Share Option Scheme
“Pacific Wits”	Pacific Wits Limited (泰穎有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Ning Hao
“PRC”	the People’s Republic of China which, for the purpose of the Agreement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Sinofocus Media (Holdings) Limited

DEFINITIONS

“Refreshment of Scheme Mandate Limit”	the proposed scheme refreshment of the Scheme Mandate Limit under the Share Option Scheme at the SGM
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Mandate Limit”	the total number of Shares which may be allotted and issued upon exercise of all options to be granted by the Board under the Share Option Scheme and any other share option scheme(s) of the Company to subscribe up to 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed, the total number of Shares which may be allotted and issued upon exercise of all options to be granted shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the refreshed limit
“Service Agreements”	the service agreements entered into between the Company and each of Mr. Ning Hao and Mr. Xu Zheng dated 14 April 2015 in respect of the provision of media production services to the Company by each of Mr. Ning Hao and Mr. Xu Zheng, respectively
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 16 December 2015, Wednesday at 10:00 a.m. for the purposes of considering and, if thought fit, approving, among other things, (i) the Agreement and the transactions contemplated thereunder; (ii) the re-election of the retiring Directors; and (iii) the Refreshment of Scheme Mandate Limit
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 17 June 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tairong”	Tairong Holdings Limited (泰嶸控股有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Xu Zheng

DEFINITIONS

“Target Film”	《港囧》 (Lost in Hong Kong)
“Vendor”	Beijing Joy Leader Culture Communication Co. Ltd (北京真樂道文化傳播有限公司)
“Vendor’s Income Right”	the amounts representing 47.5% of (i) the net income of the Target Film from cinemas in the PRC (being the gross box office receipts of the Target Film from distribution and screening in cinemas etc and after deduction of the monies payable to National Film Industry Development Special Fund (國家電影事業發展專項資金), value added tax and surcharges, and the amounts of the gross box office receipts shared by cinemas and cinema circuits); and (ii) the net income of the Target Film from cinemas outside the PRC, both after deduction of the production costs (including promotional expenses) of the Target Film and the distribution costs
“%”	per cent.



Huanxi Media Group Limited

歡喜傳媒集團有限公司*

(Formerly known as 21 Holdings Limited 21控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

Executive Directors:

Mr. Dong Ping

Mr. Xiang Shaokun, Steven (*Chief Executive Officer*)

Non-Executive Directors:

Mr. Ning Hao

Mr. Xu Zheng

Mr. Gao Zhikai

Mr. So Chak Kwong

Independent Non-Executive Directors:

Mr. Su Tuong Sing, David

Mr. Li Xiaolong

Mr. Wong Tak Chuen

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and principal place of
business in Hong Kong:*

Suite 4702, 47th Floor

Far East Finance Centre

16 Harcourt Road

Admiralty

Hong Kong

30 November 2015

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF FILM INCOME RIGHT
(2) PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS
(3) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to give you, among other things, (i) information on the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in

* for identification purpose only

LETTER FROM THE BOARD

relation to the Acquisition; (iv) the re-election of the retiring Directors; (v) information on the Refreshment of Scheme Mandate Limit; (vi) the notice of the SGM; and (vii) other information as required under the Listing Rules.

THE AGREEMENT

Date: 21 September 2015 (after trading hours)

Parties: (i) Sinofocus Media (Holdings) Limited, a wholly owned subsidiary of the Company, as purchaser; and

(ii) Beijing Joy Leader Culture Communication Co. Ltd (北京真樂道文化傳播有限公司), as vendor

As at the Latest Practicable Date, the Vendor is ultimately wholly owned by Mr. Xu Zheng. Mr. Xu Zheng is a non-executive Director and the ultimate beneficial owner of Tairong Holdings Limited (泰嶸控股有限公司), a substantial Shareholder. As such, the Vendor is a connected person of the Company for the purposes of the Listing Rules.

Assets to be acquired

Subject to fulfilment of the conditions of the Acquisition and the terms set out in the Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Vendor's Income Right for a period of 6 years commencing from the date of first release of the Target Film in the PRC, free from all encumbrances.

Consideration

The consideration is RMB150,000,000 (equivalent to approximately HK\$183,000,000), which shall be satisfied in cash by the Purchaser to the Vendor in the following manner:

- (i) a deposit of RMB60,000,000 (equivalent to approximately HK\$73,200,000) within three Business Days after the signing of the Agreement (which deposit shall be refundable on the terms set out below under the heading "Conditions Precedent"); and
- (ii) the balance of RMB90,000,000 (equivalent to approximately HK\$109,800,000) no later than the Completion Date.

As at the Latest Practicable Date, the deposit of RMB60,000,000 had been paid by the Purchaser to the Vendor.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor and with reference to, among other things (i) the Vendor's Income Right; and (ii) the amounts of production costs, advertising and promotion expenses and finance costs incurred and being incurred for the Target Film.

LETTER FROM THE BOARD

The Vendor, together with the two investors who are independent of and not connected with the Company or the Directors, invested in or otherwise contributed to the Target Film. The Vendor, and the two other investors together, have a right to 47.5% and 52.5%, respectively, of the net cinema income of the Target Film. The investments in the Target Film were made by (i) the Vendor in the form of certain intellectual property rights and personal services, including writing, directing and acting in the Target Film; and (ii) two other investors in the form of cash totalling approximately RMB150 million (equivalent to approximately HK\$183 million) to fund principally the production of the Target Film.

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (a) the passing of all necessary resolutions by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) in the SGM of the Company approving the terms and conditions of the Agreement and the transactions contemplated thereunder;
- (b) all necessary authorisations, consents, approvals and exemptions required for the terms and conditions of the Agreement and the transactions contemplated thereunder in accordance with all applicable laws or any contractual relationship having been obtained, including the consent or approval by the Stock Exchange, and to comply with the announcement requirements under the Listing Rules;
- (c) the representations and warranties given by the Purchaser remaining true, accurate and not misleading, and all other undertakings having been fulfilled;
- (d) the representations and warranties given by the Vendor remaining true, accurate and not misleading, and all other undertakings having been fulfilled;
- (e) all requirements, approvals and exemptions required for the terms and conditions of the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and/or all applicable laws and regulations having been obtained by the Company, such as passing of resolutions in the SGM of the Company and publication of announcements or notices (if applicable); and
- (f) all written permissions or consents required for the transfer or disposal of the Vendor's Income Right having been obtained by the Vendor.

The Purchaser may waive the condition precedent set out in paragraph (d) at any time. The Vendor may waive the condition precedent set out in paragraph (c) at any time. Other conditions precedent are not waivable.

If any of the conditions precedent of the Agreement have not been fulfilled, satisfied or, if applicable, waived on or before 31 December 2015, the refundable deposit of RMB60,000,000 shall be refunded to the Purchaser immediately.

LETTER FROM THE BOARD

Completion

Completion shall take place on the Completion Date, being the third Business Day after all the conditions precedent of the Agreement have been fulfilled or waived (if applicable).

Upon Completion, the Vendor's Income Right will be accounted for as an asset in the consolidated financial statements of the Group.

INFORMATION ON THE TARGET FILM

The Vendor, which is principally engaged in movie production, is one of the investors in the Target Film and has certain interests, including the Vendor's Income Right, in the Target Film. The Target Film is *Lost in Hong Kong* 《港囧》, a Chinese comedy film directed by Mr. Xu Zheng (徐崢), and starring Mr. Xu Zheng, Ms. Zhao Wei (趙薇), Mr. Bao Bei'er (包貝爾) and Ms. Du Juan (杜鵑). The Target Film is a sequel to the film *Lost in Thailand* 《人再囧途之泰囧》 (2012), also directed by and starring Mr. Xu Zheng, which grossed over US\$200 million. The Target Film was first released in the PRC on 25 September 2015.

According to information published by the Office of National Film Development Funds Management Committee (國家電影事業發展專項資金管理委員會辦公室) (the "Office of NDFMFC"), up through 24 October 2015, the Target Film grossed approximately RMB1.6 billion in the PRC. Under the Agreement, the Company is also entitled to the net income of the Target Film from cinemas overseas. From the date of release up to 8 November 2015, the gross overseas box office of the Target Film including but not limited to Hong Kong, North America, Australia and United Kingdom amounted to approximately US\$2.6 million.

REASONS FOR THE ACQUISITION

The Group is currently principally engaged in the media and entertainment businesses, the provision of property agency and related services, securities trading and investment and advertising agency business.

The Group plans to develop existing and new business in the advertising, media and entertainment industries, and intends to develop and/or invest in at least one film and/or one television drama series per year. The Acquisition involves an investment in the Target Film which is in line with the Group's development in the advertising, media and entertainment industries. The Directors believe that the Acquisition would be beneficial to the Group as the Acquisition represents a first step forward in the implementation of the Group's development plan as set out in the Circular.

The Company intends to finance the consideration payable under the Agreement from its internal resources.

Pursuant to the Agreement, the Company is entitled to receive from the Vendor the Vendor's Income Right for a period of six years commencing from the date of first release of the Target Film in the PRC. In a supplemental letter to the Agreement dated 26 November 2015 (the "Supplemental Letter") from the Vendor to the Purchaser, the Vendor has set forth the calculation method and the schedule for payment of proceeds of the Vendor's Income Right

LETTER FROM THE BOARD

as agreed between the Vendor and the other investor in the Target Film. Based on the settlement timetable in the Supplemental Letter, the first batch of proceeds is expected to be received by the Group in early 2016, and shall be calculated based on the first month's gross box office receipts of the Target Film. Based on the information available to the Directors as at the Latest Practicable Date and consistent with what is set forth in the Supplemental Letter, on the basis of gross box office receipts from the PRC as at 24 October 2015 of approximately RMB1.6 billion (as published by the Office of NDFMFC), the Directors expect that the Group should receive an amount under the Vendor's Income Right that is above the RMB150 million consideration payable for the Acquisition.

The calculation of the gross box office receipts of the Target Film outside the PRC will be based on the box office receipts information provided by local cinemas and cinema circuits or information published and/or provided by the relevant organisations in the respective markets from which they are derived. The amounts of the tax and surcharges will be based on the relevant laws and regulations; and the amounts to be shared by cinemas and cinema circuits and the distribution fees to be received by distributors will be based on the relevant agreements and/or supported by receipts issued by the cinemas, cinema circuits or distributors, as appropriate. The Vendor has represented that it will share all documentation relating to calculations of the amount of the net proceeds (including the calculations and the supporting documents) with the Purchaser and shall, in the event that the Purchaser disputes any such calculations, submit such objections to the other investor on behalf of the Purchaser. The Vendor has also represented that the Vendor will (a) within 15 business days of receiving any such proceeds, pay such sums to the Purchaser; or (b) procure that the Vendor's Income Right be paid directly to the Purchaser (or its designated company) pursuant to the same method and schedule as set forth in the Supplemental Letter.

Based on the information provided by the Vendor and as mentioned above, the calculation of the gross box office receipts of the Target Film in the PRC will be based on the relevant information provided and supported by receipts issued by cinemas and cinema circuits. In the event that the information provided by cinemas and cinema circuits contains significant discrepancies relative to the information published by the Office of NDFMFC, a division under the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局), the Vendor will request the other investor to reconcile the differences and to explain such discrepancies.

Further announcements will be issued by the Company after confirming receipt of the net proceeds.

The Vendor has further agreed to resolve all disputes with the Purchaser in relation to payment of proceeds of the Vendor's Income Right in accordance with the dispute resolution provisions set forth in the Agreement. The proceeds to be received by the Purchaser under the Vendor's Income Right will be calculated based on (i) the gross box office receipts of the Target Film (which will be based on the box office receipts information provided by local cinemas and cinema circuits or information published and/or provided by the relevant organisations); and (ii) costs and deductions that can be verified by supporting documents including but not limited to third party evidence and receipts. As set out in the Supplemental Letter, the Vendor, which is beneficially owned by Mr. Xu Zheng, a non-executive Director of

LETTER FROM THE BOARD

the Company, will submit objections to the other investor on behalf of the Purchaser in the event that the Purchaser disputes any calculations. The Company also understands from the Vendor that, if necessary, the Vendor will, at the Group's request, use its best effort to arrange for meetings between the other investor, the Purchaser and the Vendor to discuss and verify the Vendor's Income Right calculation.

As neither the Company nor the Purchaser has any direct arrangements with or rights against the other investors in the Target Film with respect of the Vendor's Income Right, the Purchaser may not receive payment directly from the other investor of the Target Film but from the Vendor in stages in the future and the Purchaser may therefore be subject to risks such as default risk, credit risk, risks of inaccurate calculation and delay in receipt of the payment. If the Vendor fails to make payment to the Purchaser on time or if it defaults in all or a substantial portion of its payment obligations to the Purchaser, the Group's financial results may be adversely affected.

Neither the Company nor the Purchaser has any direct arrangements with or rights against the other investors in the Target Film with respect to the Vendor's Income Right. Accordingly, in the event that the proceeds of the Vendor's Income Right fail to be paid to the Purchaser, the Purchaser's contractual recourse will be limited to the Vendor. Any material dispute or disagreement in respect of the Vendor's Income Rights or the calculation thereof may result in substantial legal and other costs being incurred as well as diversion of management time and resources.

The Company notes, however, that the Vendor and the parent company of the other investor were among the production companies involved in the film "Lost in Thailand" 《人再囧途之泰囧》 (2012). The Vendor has confirmed to the Company that it did not experience difficulties in receiving its portion of the net proceeds in respect of the box office receipts of such film. The other investor is a subsidiary of Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司) ("BJ Enlight Media"), a company listed on the Shenzhen Stock Exchange (stock code: 300251), and based on the financial reports of BJ Enlight Media, BJ Enlight Media had (i) net profit of approximately RMB183 million and approximately RMB329 million for the nine months ended 30 September 2015 and for the year ended 31 December 2014 respectively; and (ii) cash and bank balances of approximately RMB967 million, net current assets of approximately RMB2,840 million and net assets of approximately RMB6,253 million as at 30 September 2015. Having considered the information available as aforesaid, (i) the Directors consider that the default risk in respect of the Vendor's Income Right is remote; and (ii) save as disclosed in this letter, the Directors are not aware of the existence of any other risks as at the Latest Practicable Date materially affecting the collectability of the Vendor's Income Right by the Group.

Notwithstanding the possible risks as set out in the preceding paragraphs, having considered the benefits of the Acquisition set out in this letter (including but not limited to the first batch of proceeds being expected to be received by the Group in early 2016 and that the amount of such proceeds can reasonably be expected to be above the consideration amount for the Acquisition), and the Directors not being aware of the existence of any other risks

LETTER FROM THE BOARD

materially affecting the collectability of the Vendor's Income Right by the Group, the Directors consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements. The Vendor is ultimately wholly owned by Mr. Xu Zheng, a non-executive Director and the ultimate beneficial owner of Tairong Holdings Limited (泰嶸控股有限公司), a substantial Shareholder, and thus is a connected person of the Company. As such, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

Mr. Xu Zheng has a material interest in the Agreement and has abstained from voting on the board resolution approving the Agreement. Save for the aforesaid, none of the Directors has a material interest in the Agreement and hence none of them has abstained from voting on the board resolution approving the Agreement.

PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS

Pursuant to the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, Mr. Dong Ping, Mr. Xiang Shaokun, Steven, Mr. Ning Hao, Mr. Xu Zheng, Mr. Gao Zhikai, Mr. So Chak Kwong, Mr. Su Tuong Sing, David and Mr. Li Xiaolong (all appointed by the Board with effect from 2 September 2015) shall hold office until the SGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the SGM. Pursuant to Rule 13.74 of the Listing Rules, a listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any director(s) proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting. The requisite details of the above Directors proposed to be re-elected at the SGM are set out in Appendix II to this circular.

REFRESHMENT OF SCHEME MANDATE LIMIT

The Share Option Scheme was adopted by the Company pursuant to an ordinary resolution passed in the annual general meeting of the Company on 17 June 2014. The Scheme Mandate Limit was 10% of the Shares in issue as at the date of adoption of the Share Option Scheme in compliance with the Listing Rules. Subject to prior Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force as at the Latest Practicable Date.

LETTER FROM THE BOARD

As at the date of the adoption of the Share Option Scheme, the total number of Shares in issue was 577,138,852 Shares. Pursuant to the terms of the Share Option Scheme and in compliance with the Listing Rules, the Company was authorised to grant Options to subscribe for up to a maximum number of 57,713,885 Shares. As at the Latest Practicable Date, no option has been granted since its adoption on 17 June 2014.

On 2 September 2015, 1,731,416,556 new Shares were allotted and issued pursuant to the subscription agreement dated 14 April 2015. Please refer to the Circular for details. As at the Latest Practicable Date, the Company has 2,308,555,408 Shares in issue. Unless the Scheme Mandate Limit is refreshed, only up to 57,713,885 Shares may be issued pursuant to the grant of Options under the Share Option Scheme, representing only approximately 2.50% of the issued share capital of the Company as at the Latest Practicable Date.

Assuming no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the maximum number of Shares which may be issued upon the exercise of all the Options to be granted under the Scheme Mandate Limit as refreshed will be 230,855,540 Shares, representing 10% of the issued share capital of the Company as at the date of approval of the Refreshment of Scheme Mandate Limit by the Shareholders at the SGM which do not include options that are outstanding, cancelled or lapsed as at the date of the SGM. Save as disclosed in this circular, there are no outstanding options granted under the Share Option Scheme or any other scheme(s) of the Company which remain unexercised, as at the Latest Practicable Date.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue from time to time. The Board undertakes that no Options shall be granted under the Share Option Scheme or any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The Refreshment of Scheme Mandate Limit is conditional upon:

- (a) the passing of an ordinary resolution to approve the Refreshment of Scheme Mandate Limit by the Shareholders at the SGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue as at the date of the SGM approving the Refreshment of Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of Options granted under the refreshed Scheme Mandate Limit.

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options to be granted under the refreshed Scheme Mandate Limit.

The Board considers that it is in the interests of the Company to refresh the Scheme Mandate Limit so as to provide the Company with the flexibility of granting further Options under the Share Option Scheme and to provide incentives to, and recognise the contributions

LETTER FROM THE BOARD

of, the Group's employees and other selected grantees which the Board considers to be in the interests of the Company and the Shareholders as a whole. The Board therefore seeks the approval of the Shareholders at the SGM to refresh the Scheme Mandate Limit.

SGM

It is proposed that the SGM be convened and held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 16 December 2015, Wednesday at 10:00 a.m. for the purposes of considering and, if thought fit, approving (i) the Agreement and the transactions contemplated thereunder; (ii) the re-election of the retiring Directors; and (iii) the Refreshment of Scheme Mandate Limit.

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in the transaction must abstain from voting on the resolution. Mr. Xu Zheng and his associates are required to abstain from voting at the SGM on the resolution approving the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Xu Zheng, through Tairong Holdings Limited, holds 438,625,528 Shares, representing approximately 19.0% of the issued share capital of the Company. Save for the aforesaid and to the best knowledge of the Company, as at the Latest Practicable Date, no other Shareholder has a material interest in the Agreement and therefore no other Shareholder is required to abstain from voting on the proposed resolution(s) approving the Agreement and the transactions contemplated thereunder at the SGM.

A notice of the SGM is set out on pages 42 to 44 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 15 of this circular which contains its recommendation to the Independent Shareholders on the Acquisition. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition as set out on pages 16 to 28 of this circular.

The Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders to vote in favour of the ordinary resolution in relation to the Acquisition to be proposed at the SGM.

LETTER FROM THE BOARD

In addition, the Directors consider that the re-election of retiring Directors and the Refreshment of Scheme Mandate Limit are in the interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant ordinary resolutions in relation to the re-election of retiring Directors and the Refreshment of Scheme Mandate Limit to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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



Huanxi Media Group Limited

歡喜傳媒集團有限公司*

(Formerly known as 21 Holdings Limited 21控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

30 November 2015

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF FILM INCOME RIGHT**

We refer to the circular dated 30 November 2015 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to advise you on the Acquisition, as set out in this circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Agreement as set out in this circular. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 16 to 28 of this circular.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Agreement as set out in this circular are on normal commercial terms and fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support and to vote in favour of the resolution to approve the Agreement.

Yours faithfully

For and on behalf of the

Independent Board Committee

Su Tuong Sing, David

Independent

Non-Executive Director

Li Xiaolong

Independent

Non-Executive Director

Wong Tak Chuen

Independent

Non-Executive Director

* for identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 November 2015

*To : the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF FILM INCOME RIGHT

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition pursuant to the Agreement entered into between Sinofocus Media (Holdings) Limited, a wholly-owned subsidiary of the Company, and Beijing Joy Leader Culture Communication Co. Ltd. (北京真樂道文化傳播有限公司). Details of the Acquisition are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 30 November 2015 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement requirements. The Vendor is ultimately wholly-owned by Mr. Xu Zheng, a non-executive Director and the ultimate beneficial owner of Tairong Holdings Limited (泰嶸控股有限公司), a substantial Shareholder, and thus is a connected person of the Company. As such, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Su Tuong Sing, David, Mr. Li Xiaolong and Mr. Wong Tak Chuen, has been established to make a recommendation to the Independent Shareholders on whether (1) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Acquisition is in the interests of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to a subscription for new shares in the Company and application for whitewash waiver as detailed in the Company's circular dated 5 August 2015 (the "August Circular"). The past engagement was limited to providing independent advisory services to independent board committee and independent shareholders of the Company pursuant to the Listing Rules and The Code on Takeovers and Mergers. Somerley Capital Limited received normal professional fees from the Company for this engagement. Notwithstanding the past engagement, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and the Vendor group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition pursuant to the Agreement as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and the Vendor group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (1) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Acquisition is in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Acquisition

The Group is currently principally engaged in media and entertainment businesses, provision of property agency and related services, securities trading and investment and advertising agency business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the August Circular, among other things, the Group plans to fund the development of its media and entertainment business by the net proceeds from the subscription initially, and intends to develop and/or invest in at least one film and/or one television drama series per year. The Acquisition involves an entitlement to a share in the box office receipts from the Target Film, details of which are further described in the sub-section headed “Information on the Vendor’s Income Right” below of this letter. The Company intends to finance the consideration payable under the Agreement by its internal resources. The executive Directors consider that the Acquisition is in line with the Group’s development in the media and entertainment industry and represents a first step forward in the implementation of the Group’s development plan. As at 24 October 2015, according to the information published by 國家電影事業發展專項資金管理委員會辦公室 (Office of National Film Development Funds Management Committee) (the “Office of NFDFMC”), the accumulated gross box office receipts of the Target Film amounted to approximately RMB1.6 billion in the PRC. We concur with the executive Directors that the Acquisition is in line with the Group’s development strategy. In view of (a) the accumulated gross box office receipts of the Target Film as set out above and the estimated proceeds to be received by the Group (for illustration purpose only) as detailed in the sub-section headed “Information on the Vendor’s Income Right” of this letter below; and (b) the Target Film being a sequel to the film “Lost in Thailand” 《人再囧途之泰囧》(2012) (also directed by and starring Mr. Xu Zheng and grossing over US\$200 million), we are of the view that acquiring the Vendor’s Income Right, as the Group’s first project in media and entertainment business, is a suitable and low-risk approach adopted by the Group to gain a foothold in the media and entertainment industry.

2. Principal terms of the Agreement

Principal terms of the Agreement are summarised below. Further details of the principal terms of the Agreement are set out in the section headed “The Agreement” in the “Letter from the Board” contained in the Circular.

(A) Subject of the Acquisition

Pursuant to the Agreement, Sinofocus Media (Holdings) Limited (as the Purchaser) conditionally agreed to purchase and Beijing Joy Leader Culture Communication Co. Ltd. (北京真樂道文化傳播有限公司) (as the Vendor) conditionally agree to sell the Vendor’s Income Right for a period of 6 years commencing from the first release of the Target Film in the PRC, free from all encumbrances. Further details regarding the Target Film and the Vendor’s Income Right are set out in the “Letter from the Board” in the Circular and the sub-sections headed “Information on the Target Film” and “Information on the Vendor’s Income Right” below of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(B) Consideration and payment terms

The consideration for the Acquisition is RMB150,000,000 (equivalent to approximately HK\$183,000,000), payable in cash by the Purchaser to the Vendor in the following manner: (i) a deposit of RMB60,000,000 (equivalent to approximately HK\$73,200,000) within three Business Days after signing of the Agreement (which deposit shall be refundable pursuant to the Agreement); and (ii) the balance of RMB90,000,000 (equivalent to approximately HK\$109,800,000) no later than the Completion Date. As at the Latest Practicable Date, the deposit of RMB60,000,000 had been paid by the Purchaser to the Vendor.

As set out in the sub-section headed “Consideration” under the section headed “The Agreement” in the “Letter from the Board” contained in the Circular, the consideration was determined after arm’s length negotiations between the Purchaser and the Vendor and with reference to, among other things (i) the Vendor’s Income Right; and (ii) the amounts of production costs, advertising and promotion expenses and finance costs incurred and being incurred for the Target Film.

(C) Conditions precedent

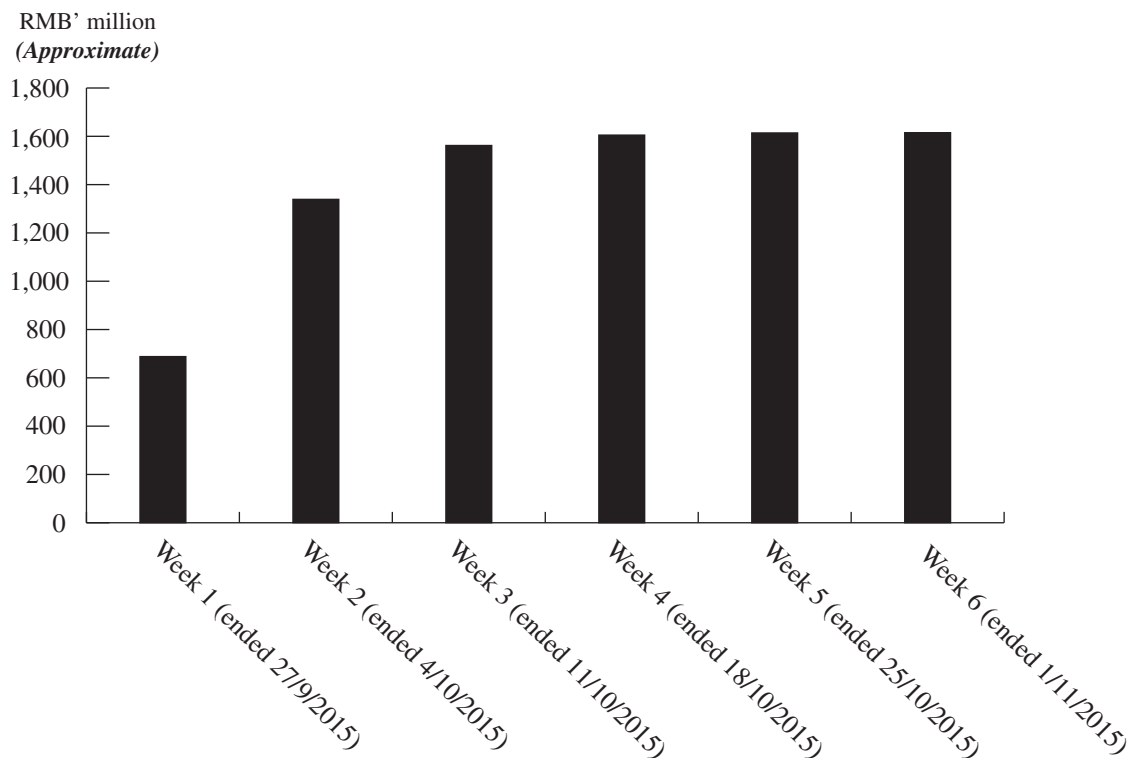
Completion is conditional upon satisfaction or waiver (as the case may be) of the conditions precedent as stipulated under the Agreement and shall take place on the Completion Date, being the third Business Day after all the conditions precedent of the Agreement have been fulfilled or waived (if applicable). The conditions precedent are set out in the sub-section headed “Conditions precedent” under the section headed “The Agreement” in the “Letter from the Board” contained in the Circular.

If any of the conditions precedent of the Agreement have not been fulfilled, satisfied or, if applicable, waived on or before 31 December 2015, the refundable deposit of RMB60,000,000 shall be refunded to the Purchaser immediately.

3. Information on the Target Film

The Vendor, which is principally engaged in movie production, is one of the investors of the Target Film and has certain interests, including the Vendor's Income Right, in the Target Film. The Target Film is *Lost in Hong Kong* 《港囧》, a Chinese comedy film directed by Mr. Xu Zheng (徐暉), and starring Mr. Xu Zheng, Ms. Zhao Wei (趙薇), Mr. Bao Bei'er (包貝爾) and Ms. Du Juan (杜鵑). The Target Film was first released in the PRC on 25 September 2015. The executive Directors advised us that the Target Film has been shown nationwide in the PRC and overseas. As at 24 October 2015, the Target Film has accumulated gross box office receipts of approximately RMB1.6 billion in the PRC according to the information published by the Office of NDFMFC. The approximate accumulated gross box office receipts of the Target Film is illustrated in the chart below (data sourced from website of 中國票房 (www.cbooo.cn) as at the Latest Practicable Date):

Accumulated gross box office receipts of the Target Film



Source: 中國票房 (www.cbooo.cn)

The Target Film is a sequel to the film *Lost in Thailand* 《人再囧途之泰囧》(2012), also directed by and starring Mr. Xu Zheng, grossing over US\$200 million. According to the website of 中國票房(www.cbooo.cn), the accumulated gross box office receipts reached over approximately US\$183 million in the first four weeks after its release on 12 December 2012, representing over 91% of its total gross box office receipts. Mr. Xu Zheng is a Chinese director, actor, screenwriter and producer. Further details regarding Mr. Xu Zheng are set out in the August Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Information on the Vendor's Income Right

Calculations of the Vendor's Income Right

Pursuant to the Agreement, the Vendor's Income Right represents 47.5% of the aggregate amount of:

- (a) the net income of the Target Film from cinemas in the PRC (being the gross box office receipts of the Target Film from distribution and screening in cinemas etc, and after deduction of the monies payable to National Film Industry Development Special Fund (國家電影事業發展專項資金) (the "Fund"), value added tax and surcharges, the amounts of the gross box office receipts shared by cinemas and cinema circuits), after deduction of distribution costs; and
- (b) the net income of the Target Film from cinemas outside the PRC, after deduction of distribution costs,

after deduction of production costs (including promotional expenses) of the Target Film.

As set out in a supplemental letter dated 26 November 2015 (the "Supplemental Letter") issued by the Vendor to the Purchaser, the net income of the Target Film from cinemas in the PRC is calculated as follows:

Gross box office receipts of the Target Film in the PRC

Less:	Deduction for contribution to the Fund	(5% of the gross box office receipts)
	Value added tax and surcharges	(3% or 6% of the gross box office receipts)
	Sharing by cinemas and cinema circuits	(Approximately 50% to 60% of the gross box office receipts after deduction for contribution to the Fund and value added tax and surcharges)
	Distribution fees to be received by distributor(s)	(Approximately 12% of the gross box office receipts after deduction for contribution to the Fund, value added tax and surcharges, and sharing by cinemas and cinema circuits)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the executive Directors that, in accordance with 《國家電影事業發展專項資金徵收使用管理辦法》 issued under 《電影管理條例》, a levy of 5% of the gross cinema box office receipts shall be paid by cinema(s) as statutory contribution to the Fund. Furthermore, the executive Directors advise us that a 3% or 6% value added tax and surcharges are required to be paid by cinema(s) based on the gross box office receipts. We further understand from the executive Directors that after deducting the abovementioned statutory contribution to the Fund and relevant taxes/surcharges, approximately 50% to 60% of such net cinema box office income will be paid to and shared by cinemas and cinema circuits, and such payment ratio is in line with industry practice. After deducting the monies to be paid to cinemas and cinema circuits, a fee of approximately 12% of the remaining sum will be paid to the distributor(s) of the Target Film.

In assessing this information, we have made reference to the prospectus issued by Poly Culture Group Corporation Limited (stock code: 3636) (“Poly Culture”) dated 24 February 2014. As stated in the prospectus, Poly Culture is mainly engaged in art business and auction, performance and theatre management and cinema investment and management. It is further stated in the “Industry Overview” section of Poly Culture’s prospectus that cinemas will normally receive 50% to 55% of the net cinema box office income, being the gross cinema box office income net of tax and film special fund levy, and cinema circuits will normally receive 1% to 5% of the net cinema box office income. Thus, cinemas and cinema circuits will normally receive, in aggregate, approximately 51% to 60% of the net cinema box office income. As set out above, in relation to the Target Film, cinemas and cinema circuits will receive approximately 50% to 60% of net cinema box office income. We note that such payment ratio is similar to the range set out in Poly Culture’s prospectus.

Pursuant to the Agreement, production costs (including promotional expenses) of the Target Film incurred and being incurred shall be deducted from the aggregate net income of the Target Film from cinemas in and outside the PRC. As advised by the executive Directors, as at 8 November 2015, the accumulated gross overseas box office of the Target Film amounted to approximately US\$2.6 million and detailed calculations and certain terms relating to this part of the Vendor’s Income Right, including the sharing percentage by cinemas and cinema circuits in certain areas and distribution fees for overseas box office, are subject to further negotiations. The executive Directors advised us that the total production costs (including promotional expenses) amounted to approximately RMB150 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above and the accumulated gross box office receipts of approximately RMB1.6 billion in the PRC as at 24 October 2015 according to the information published by the Office of NDFMFC, for illustration purpose, the proceeds to be received by the Group under the Vendor's Income Right (excluding the net income of the Target Film from cinemas outside the PRC) with reference to the accumulated gross box office receipts up to 24 October 2015 will be in a range as follows:

		Proceeds to be received by the Group under the Vendor's Income Right (excluding the net income of the Target Film from cinemas outside the PRC)	
		From	To
		<i>RMB'million</i>	<i>RMB'million</i>
		<i>(approximate)</i>	<i>(approximate)</i>
Gross box office receipts of the Target Film in the PRC	<i>(Note 1)</i>	1,608.7	1,608.7
Less: Deduction for contribution to the Fund		(80.4)	(80.4)
Value added tax and surcharges	<i>(Note 2)</i>	<u>(96.5)</u>	<u>(48.3)</u>
		1,431.8	1,480.0
Less: Sharing by cinemas and cinema circuits	<i>(Note 3)</i>	<u>(859.1)</u>	<u>(740.0)</u>
		572.7	740.0
Less: Distribution fees to be received by distributor(s)		<u>(68.7)</u>	<u>(88.8)</u>
		504.0	651.2
Less: Production costs (including promotional expenses) of the Target Film		<u>(150.0)</u>	<u>(150.0)</u>
		354.0	501.2
Percentage of sharing by the Group		<u>47.5%</u>	<u>47.5%</u>
Proceeds to be received by the Group		<u><u>168.2</u></u>	<u><u>238.1</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Being accumulated gross box office receipts in the PRC up to 24 October 2015 according to the information published by the Office of NDFMFC.
2. For illustration purpose, we have applied a value added tax and surcharges rate of 6% and 3% respectively for the lowest range and highest range of proceeds to be received under the Vendor's Income Right (excluding the net income of the Target Film from cinemas outside the PRC).
3. For illustration purpose, we have applied a sharing percentage by cinemas and cinema circuits of 60% and 50% respectively for the lowest range and highest range of proceeds to be received under the Vendor's Income Right (excluding the net income of the Target Film from cinemas outside the PRC).

Based on the above table, for illustration purpose only, the proceeds to be received by the Group under the Vendor's Income Right (excluding the net income of the Target Film from cinemas outside the PRC) will be in a range of approximately RMB168.2 million to RMB238.1 million, in each case with reference to the accumulated gross box office receipts in the PRC up to 24 October 2015. Based on the above, for illustration purpose only and subject to final audit and possible audit adjustments, it is currently estimated by the executive Directors that there will be a surplus of approximately RMB18.2 million to RMB88.1 million under the Vendor's Income Right over the Acquisition consideration of RMB150,000,000. The actual proceeds to be received by the Group under the Vendor's Income Right will be based on (a) the total gross box office receipts of the Target Film from cinemas both in the PRC and outside the PRC for a period of 6 years commencing from the date of first release of the Target Film in the PRC; and (b) the actual rate of value added tax and surcharges and the actual sharing percentage by the cinemas and cinema circuits applied in deriving the net income of the Target Film, and accordingly, may be different from the above figures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Settlement of the Vendor's Income Right

As set out in the Supplemental Letter, pursuant to an investment agreement dated 4 April 2014 signed between the Vendor and an unrelated third party investor of the Target Film and as confirmed by the Vendor, the settlement and payment of proceeds under the Vendor's Income Right shall be made by such third party investor to the Vendor according to the following timetable:

Timing for settlement

1st settlement	Upon three months after first release of the Target Film in the PRC (the "First Release")	Based on first month's gross box office receipts after the First Release
2nd settlement	Upon six months after the First Release	Based on around four months' gross box office receipts after the First Release (after deduction of gross box office receipts relating to previous settlement)
3rd settlement	Upon twelve months after the First Release	Based on around ten months' gross box office receipts after the First Release (after deduction of gross box office receipts relating to previous settlements)
Subsequent settlements	Every twelve months thereafter	Based on further discussions between the Vendor and the third party investor of the Target Film with reference to actual income arising from the Target Film

The third party investor will make payment of the proceeds under the Vendor's Income Right to the Vendor in accordance with the above timetable within 15 Business Days after the third party investor receives the proceeds under the Vendor's Income Right and the relevant amounts under the Vendor's Income Right are confirmed. Pursuant to the Supplemental Letter, the Vendor will pay the relevant amounts and provide the relevant documents for calculation of the amounts to the Purchaser (or its designated company) within 15 Business Days after the Vendor receives the relevant amounts. We are advised by the executive Directors that the Vendor has informed the unrelated third party investor regarding the Acquisition. As

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

set out in the Supplemental Letter, in the event that such third party investor pays the proceeds under the Vendor's Income Right directly to the Purchaser (or its designated company), the Vendor will procure such third party investor to pay the relevant amounts and provide the relevant documents for calculation of the amounts to the Purchaser (or its designated company) in accordance with the above timetable (i.e. within 15 Business Days after the third party investor receives the proceeds under the Vendor's Income Right and the relevant amounts under the Vendor's Income Right are confirmed). Pursuant to the Supplemental Letter, the Vendor confirms to the Purchaser that the proceeds to be received under the Vendor's Income Right shall be calculated and paid in accordance with the details as set out in the Agreement and the Supplemental Letter. Further details of the calculation basis of the proceeds are set out in the section headed "Reasons for the Acquisition" in the "Letter from the Board" contained in the Circular. The Vendor has also represented that it will share all documentation relating to calculations of the amount of the net proceeds (including the calculations and the supporting documents) with the Purchaser. The executive Directors have advised us that, based on the settlement timetable as set out in the Supplemental Letter, the first batch of proceeds is expected to be received by the Group in early 2016, and shall be calculated based on the first month's gross box office receipts of the Target Film, which is estimated to make up of the great majority of the total gross box office receipts from the Target Film. However, as set out in the section headed "Reasons for the Acquisition" in the "Letter from the Board" contained in the Circular, neither the Company nor the Purchaser has any direct arrangements with or rights against the other investors in the Target Film with respect to the Vendor's Income Right. Accordingly, in the event that the proceeds of the Vendor's Income Right fail to be paid to the Purchaser, the Purchaser's contractual recourse will be limited to the Vendor. Any material dispute or disagreement in respect of the Vendor's Income Right or the calculation thereof may result in substantial legal and other costs being incurred as well as diversion of management time and resources. As set out in the Supplemental Letter, in the event that the Purchaser disputes any such calculations of the proceeds under the Vendor's Income Right, the Vendor shall submit such objections to the unrelated third party investor on behalf of the Purchaser. The Vendor has agreed to resolve all disputes with the Purchaser in relation to payment of proceeds under the Vendor's Income Right in accordance with the dispute resolution provisions set forth in the Agreement.

As set out in the section headed "Reasons for the Acquisition" in the "Letter from the Board" contained in the Circular, the calculation of the gross box office receipts of the Target Film in the PRC will be based on the relevant information provided and supported by receipts issued by cinemas and cinema circuits. In the event that the above information contains significant discrepancies relative to the information published by the Office of NDFMFC, the Vendor will request the other investor, a subsidiary of Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司) which is listed on the Shenzhen Stock Exchange, to reconcile the differences and to explain such discrepancies. Nevertheless, the receipt of proceeds by the Group is subject to certain risks. As set out in the aforesaid section in the Circular, the Directors consider the default risk in respect of the Vendor's Income Right to be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

remote and, save as disclosed in the aforesaid section of the Circular, they are not aware of the existence of any other risks as at the Latest Practicable Date materially affecting the collectability of the Vendor's Income Right by the Group. Further announcements will be issued by the Company after confirming receipt of the net proceeds under the Vendor's Income Right. It is further stated in the aforesaid section in the Circular that the proceeds will be net of costs and deductions that can be verified by supporting documents including but not limited to third party evidence and receipts. The Vendor, which is beneficially owned by Mr. Xu Zheng, a non-executive Director of the Company, has agreed to submit objections to the other investor on behalf of the Purchaser in the event that the Purchaser disputes any calculations. The Company also understands from the Vendor that, if necessary, the Vendor will, at the Group's request, use its best effort to arrange for meetings between the other investor, the Purchaser and the Vendor to discuss and verify the Vendor's Income Right calculation. In our opinion, these measures provide the Company with reasonable safeguards against a material "leakage" in receipt of the proceeds under the Vendor's Income Right.

Taking into account the above and the reasons as set out in the sub-section headed "Background to and reasons for the Acquisition" of this letter above, despite (a) the detailed calculations and certain terms relating to the proceeds from the Vendor's Income Right from overseas box office are subject to further negotiations; and (b) the Group has to make full payment of the consideration for the Acquisition no later than the Completion Date in exchange for the Vendor's Income Right for a period of 6 years commencing from the first release of the Target Film in the PRC, on the basis that (i) the executive Directors expect the first batch of proceeds under the Vendor's Income Right (based on the first month's gross box office receipts of the Target Film, which is estimated to make up of the great majority of the total gross box office receipts from the Target Film) to be received by the Group in early 2016; (ii) the executive Directors have estimated a surplus of approximately RMB18.2 million to RMB88.1 million after deducting the consideration for the Acquisition based on the accumulated gross box office receipts of the Target Film in the PRC up to 24 October 2015; and (iii) there are reasonable safeguards against a material "leakage" in receipt of the proceeds under the Vendor's Income Right, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

DISCUSSION

The Acquisition involves an entitlement to a share in the box office receipts from the Target Film by the Group. This represents a first step forward in the implementation of the Group's development plan for its media and entertainment business as set out in the August Circular. We therefore concur that it is in line with the Board's stated strategy.

As at 24 October 2015, the accumulated gross box office of the Target Film had already amounted to approximately RMB1.6 billion in the PRC based on the information published by the Office of NDFMC. As illustrated in the sub-section headed "Information on the Vendor's Income Right" of this letter, it is currently estimated by the executive Directors that there will

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

be a surplus of approximately RMB18.2 million to RMB88.1 million under the Vendor's Income Right, after deducting the consideration for the Acquisition of RMB150 million, with the first batch of proceeds expected to be received by the Group in early 2016.

As set out in the Supplemental Letter and the sub-section headed "Information on the Vendor's Income Right" of this letter, the first batch of proceeds shall be calculated based on the first month's gross box office receipts of the Target Film, which is estimated by the executive Directors to make up of the great majority of the total gross box office receipts from the Target Film. Thus the Group will be able to recover its investment and enjoy a surplus under the Acquisition within a short timeframe. Nevertheless, the receipt of proceeds is subject to certain risks, further details of which including relevant safeguard measures are set out in the section headed "Reasons for the Acquisition" in the "Letter from the Board" contained in the Circular.

Having considered the principal factors and reasons as set out above in this letter, we are of the view that acquiring the Vendor's Income Right, as the Group's first project in media and entertainment business, is a suitable and low-risk approach adopted by the Group to gain a foothold in the media and entertainment industry, and therefore the Acquisition is, from a commercial as well as a financial perspective, in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (1) the Acquisition is in the ordinary and usual course of business of the Company; (2) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (3) the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Acquisition to be proposed at the SGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over seven years' experience in the corporate finance industry.

For illustration purposes, RMB is converted into HK\$ at RMB1 = HK\$1.22 in this letter.

The English translations of the PRC names included in this letter are for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the following Directors or chief executive of the Company or their associates had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO; (ii) recorded in the register to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) adopted by the Company.

Long positions in Shares and underlying Shares

Name of Director	Number of Shares	Approximate percentage of the issued shares
Mr. Dong Ping	1,431,304,354 (<i>Note 1</i>)	62.0%
Mr. Ning Hao	1,431,304,354 (<i>Note 2</i>)	62.0%
Mr. Xu Zheng	1,431,304,354 (<i>Note 3</i>)	62.0%
Mr. Gao Zhikai	46,171,108 (<i>Note 4</i>)	2.0%
Mr. So Chak Kwong	46,171,108 (<i>Note 5</i>)	2.0%

Notes:

- These Shares include Shares held by Newwood as to 461,711,082 Shares and Numerous Joy as to 92,342,216 Shares, both of which are companies incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong Ping. On 14 April 2015, Mr. Dong Ping, Newwood, Pacific Wits, Mr. Ning Hao, Tairong and Mr. Xu Zheng 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 for new shares in the Company pursuant to a subscription agreement dated 14 April 2015, details of which are set out in the Company’s circular dated 5 August 2015. As Mr. Dong Ping and Newwood are parties to the Shareholders Agreement, Mr. Dong Ping 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 and Newwood is therefore deemed to be interested in all the Shares in which Mr. Dong Ping, Pacific Wits and Tairong are interested by virtue of section 317 of the SFO.

2. These Shares include 438,625,528 Shares held by Pacific Wits, which is a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Ning Hao. Mr. Ning Hao and Pacific Wits are parties to the Shareholders Agreement, and are therefore deemed to be interested in all the Shares in which Mr. Dong Ping, Newwood and Tairong are interested by virtue of section 317 of the SFO.
3. These Shares include 438,625,528 Shares held by Tairong, which is a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Xu Zheng. Mr. Xu Zheng and Tairong are parties to the Shareholders Agreement, and are therefore deemed to be interested in all the Shares in which Mr. Dong Ping, Newwood and Pacific Wits are interested by virtue of section 317 of the SFO.
4. These Shares are held by Dayunmony, which is a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Gao Zhikai.
5. These Shares are held by Concept Best, which is a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. So Chak Kwong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under section 352 of the SFO.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of the companies which have an interest in the Shares and underlying Shares as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Dong Ping, an executive Director, is the sole director of Newwood and Numerous Joy;
- (b) Mr. Ning Hao, a non-executive Director, is the sole director of Pacific Wits;
- (c) Mr. Xu Zheng, a non-executive Director, is the sole director of Tairong;
- (d) Mr. Gao Zhikai, a non-executive Director, is the sole director of Dayunmony; and
- (e) Mr. So Chak Kwong, a non-executive Director, is the sole director of Concept Best.

3. MATERIAL ADVERSE CHANGE

As set out in the interim report of the Company for the six months ended 30 June 2015, revenue of the Group amounted to HK\$31.9 million for the six months ended 30 June 2015, which was all derived from the Group's property agency segment in Hong Kong, represented a decrease of about 67.0% as compared with HK\$96.6 million for the same period of last year. Such decrease was mainly contributed by (i) the new round of the cooling measures for small to medium-sized residential properties introduced by the Hong Kong Monetary Authority, (ii) the intense competition among the property agents in Hong Kong and (iii) no additional cash

allocated for financing customers' multiple registrations for new projects launched by property developers. The Group incurred a loss of approximately HK\$6.1 million for the six months ended 30 June 2015 whilst the Group incurred a loss of approximately HK\$3.1 million for the same period of last year. Besides, following completion of the issue of new shares of the Company pursuant to a subscription agreement dated 14 April 2015 as detailed in the Circular, the Group are now focusing on the media and entertainment businesses and more expenses were incurred for the expansion, development and/or investment such businesses. Save as aforesaid, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group required to be disclosed pursuant to Rule 8.10 of the Listing Rules, save and except for the following:

Directors	Companies which Directors held interests	Nature of business	Nature of interest (including close associate's interest, if any)
Mr. Ning Hao	INJO Films Co. Ltd. (東陽映月影視文化傳播有限公司)	Movie production	Ultimate shareholders
	北京壞猴子文化產業發展有限公司	Movie production	Ultimate shareholder
	東陽壞猴子影視文化傳播有限公司	Movie production	Ultimate shareholder
Mr. Xu Zheng	Beijing Joy Leader Culture Communication Co. Ltd (北京真樂道文化傳播有限公司)	Movie production	Ultimate shareholder

The Group is principally engaged in the media and entertainment businesses, the provision of property agency and related services, securities trading and investments and the advertising agency business. The media and entertainment businesses segment includes, among others, development and/or investment in films and television drama series.

Mr. Ning Hao, together with his family, is the ultimate shareholder of INJO Films Co. Ltd. Mr. Ning Hao is also the ultimate shareholder of 北京壞猴子文化產業發展有限公司 and 東陽壞猴子影視文化傳播有限公司. All of the above three companies (together “Mr. Ning’s Companies”) are principally engaged in the production of films in the PRC. As at the Latest Practicable Date, none of Mr. Ning Hao or his close associates was interested in any business in respect of film production, apart from his and/or his family’s interests in Mr. Ning’s Companies.

Mr. Xu Zheng is the ultimate shareholder of Beijing Joy Leader Culture Communication Co. Ltd (“BJ Joy Leader”). BJ Joy Leader is principally engaged in the production of films in the PRC and is the production company of, among others, the Target Film. As at the Latest Practicable Date, none of Mr. Xu Zheng or his close associates was interested in any business in respect of film production, apart from his interests in BJ Joy Leader.

The Directors consider that the Group is capable of carrying on its businesses independently of, and at arm’s length from, the movie business of (i) Mr. Ning’s Companies and (ii) BJ Joy Leader ((i) and (ii) together, the “Other Companies”) as (i) there is a clear separation between the Group’s businesses and those of the Other Companies; (ii) the Group is not operationally or financially dependent on any of the Other Companies, or vice versa; and (iii) the Board operates independently from the boards of the Other Companies. The Board consists of nine members, comprising of two executive Directors, four non-executive Directors and three independent non-executive Directors. All of the Directors are aware of their fiduciary duties as a Director of the Company which require, among other things, that they act for the benefit and in the best interests of the Company and do not allow any conflict between their duties as a Director and their personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

From time to time, the Group may consider possible co-investment opportunities with Mr. Ning’s Companies and/or BJ Joy Leader in film or other projects. Any such investments and the definitive terms thereof would be subject to further negotiations at arm’s length between the relevant parties. If any co-investment arrangement between the Group and Mr. Ning’s Companies or BJ Joy Leader were to materialise, it could constitute a connected transaction of the Company under the Listing Rules. Further announcement(s) in relation to any such investments will be made as and when appropriate in compliance with the Listing Rules.

The Company has entered into the Service Agreements with each of Mr. Ning Hao and Mr. Xu Zheng. Pursuant to the Service Agreements, (a) the Company shall have exclusive investment and production rights to any films and programmes developed and directed by Mr. Ning Hao or Mr. Xu Zheng (the “Director Shareholders’ Productions”), i.e. the Company

shall be the sole investor to such productions; (b) the Company shall have priority distribution rights to the Director Shareholders' Productions in the PRC, Hong Kong, Taiwan and Macau Special Administrative Region of the PRC; (c) each of Mr. Ning Hao and Mr. Xu Zheng shall direct one to two films (being films that shall be publicly released) every three years in respect of which the Company shall have the exclusive investment and production rights, and the priority distribution rights set out in paragraphs (a) and (b) above; (d) Mr. Ning Hao and Mr. Xu Zheng shall use their best endeavours to provide the Company with the priority investment, production and distribution rights for the films and programmes not developed or directed by them and Mr. Ning Hao and Mr. Xu Zheng are either producer, screenwriter, lead actor or other creative member (the "Non-Director Shareholders' Productions"); and (e) Mr. Ning Hao and Mr. Xu Zheng shall actively participate in the promotional activities of other films and programmes invested or produced by the Company according to the requirements of the Company. The Service Agreements and the relevant annual caps have been approved by the independent Shareholders at the special general meeting of the Company held on 28 August 2015.

To avoid any potential direct or indirect competition with the Group, during the terms of the Service Agreements, save for the activities and transactions contemplated under the Service Agreements, unless with the written consent of the Company, Mr. Ning Hao and Mr. Xu Zheng shall not, directly or indirectly entrust or authorise any third party to undertake any of the following activities:

- (a) directly or indirectly (regardless of whether acting in the capacity of a shareholder, director, employee, partner, consultant or agent) undertake or participate or benefit from any business which is the same as, similar or competes with the business of the Company, including providing any services that are the same as or similar to the services to be provided under the Service Agreements;
- (b) seize any business opportunity of the Company or solicit any clients or potential clients of the Company, or interfere or damage any relationship or contracts between the Company and any clients or potential clients of the Company; or
- (c) assist or support any third person to undertake the activities set forth in paragraphs (a) and (b) above.

Notwithstanding the above non-compete obligations of Mr. Ning Hao and Mr. Xu Zheng, Mr. Ning Hao and Mr. Xu Zheng shall, through companies controlled by them, have the right to:

- (a) contract to produce the Director Shareholders' Productions which the Company invests in;
- (b) operate the Non-Director Shareholders' Productions;
- (c) operate the Director Shareholders' Productions that the Company does not invest in;

- (d) operate projects that have already commenced operations by the companies controlled by Mr. Ning Hao and Mr. Xu Zheng as at the date of the Service Agreements,

in each case, subject to compliance with any applicable connected transaction requirements under Chapter 14A of the Listing Rules.

The Board will consider allowing Mr. Ning Hao and Mr. Xu Zheng to engage in the activities mentioned in this section if, (a) Mr. Ning Hao and Mr. Xu Zheng have completed their obligations under their respective Service Agreements, and/or (b) in the view of the Board, the productions which Mr. Ning Hao and Mr. Xu Zheng wish to undertake would not be profitable or would otherwise not be suitable for the Company to undertake in light of the strategic direction of the Company, taking into account the factors such as (i) the projected cost of the relevant production; (ii) the lead actors or actresses who will participate in the relevant production; (iii) the projected length of film shooting of the relevant production; (iv) the estimated box office and popularity of the relevant production; (v) the genre of the film; (vi) the plot of the film; (vii) whether undertaking such a production could lead to other investment opportunities for the Company, such as exposure to and contact with other reputable and renowned players in the industry (including actors, actresses, screenwriters, directors, costume designers, film editors, makeup artists, visual effect and sound editors and other relevant personnel of the production team); and (viii) any other fair and reasonable considerations which the Board may take into account at the time of consideration of the relevant production.

6. INTERESTS IN ASSETS AND CONTRACTS

Save for the Service Agreements and as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

Save for the Vendor's Income Right, as at the Latest Practicable Date, none of the Directors nor Somerley Capital Limited was interested, directly or indirectly, in any assets which had since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley Capital Limited had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong situated at Suite 4702, 47th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of SGM.

- (a) the Agreement; and
- (b) the Service Agreements.

9. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

Details of the Directors, who will retire and offer themselves for re-election at the SGM, are provided below.

Mr. Dong Ping (“Mr. Dong”)

Mr. Dong, aged 54, was appointed as an executive Director on 2 September 2015 and is also a member of remuneration committee and a member of nomination committee of the Company. Mr. Dong is also director of a number of subsidiaries of the Company. Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields and was the former Chairman of ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1060). Mr. Dong has been the principal investor, producer and co-producer of various internationally renowned films, including *Crouching Tiger Hidden Dragon* 《臥虎藏龍》 (directed by Mr. Ang Lee (李安)), *Devils on the Doorstep* 《鬼子來了》 (directed by Mr. Jiang Wen (姜文)), *Peacock* 《孔雀》 (directed by Mr. Gu Changwei (顧長衛)), *Let the Bullets Fly* 《讓子彈飛》 (directed by Mr. Jiang Wen (姜文)), *Journey to the West* 《西游降魔》 (directed by Mr. Stephen Chow (周星馳)), *Dearest* 《親愛的》 (directed by Mr. Chan Ho Sun (陳可辛)) and *Breakup Buddies* 《心花路放》 (directed by Mr. Ning Hao). Some of these films have won numerous major awards in both domestic and overseas film festival. From August 2003 to April 2005, Mr. Dong was the president of Asian Union Film and Media. Between 31 May 2005 and 11 January 2008, Mr. Dong was appointed as an executive director of Asian Union New Media (Group) Limited (華億新媒體(集團)有限公司) (now known as China Jiu hao Health Industry Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 419), and was the chairman of the board of directors from 12 May 2006 to 11 January 2008.

Pursuant to the service agreement entered into between the Company and Mr. Dong, Mr. Dong’s appointment is for a term of 2 years and shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. Dong is entitled to receive an annual remuneration of HK\$260,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

As at the Latest Practicable Date, Mr. Dong was deemed to be interested in 1,431,304,354 Shares (being 461,711,082 Shares held by Newwood, 92,342,216 Shares held by Numerous Joy, 438,625,528 Shares held by Pacific Wits and 438,625,528 Shares held by Tairong) within the meaning of Part XV of the SFO.

Mr. Steven Xiang Shaokun (“Mr. Xiang”)

Mr. Xiang, aged 52, was appointed as an executive Director on 2 September 2015 and the Chief Executive Officer of the Group on 18 September 2015. Mr. Xiang is also director of a number of subsidiaries of the Company. Mr. Xiang was a partner of Weil, Gotshal & Manges LLP, an international law firm, where he has led its China practice since 2004. Previously, Mr. Xiang was a partner in the Shanghai office of Clifford Chance, an international law firm from 2002 to 2004. A specialist in mergers and acquisitions, Mr. Xiang has acted as the principal counsel in many significant transactions including representing Lenovo Group Limited in its acquisition of IBM’s global personal computer business. He holds a degree of juris doctor from

Vanderbilt University School of Law, U.S.A. and a Bachelor of Arts from Beijing University of International Studies. Mr. Xiang is licensed to practice law in New York and in Hong Kong. Mr. Xiang has been consistently ranked as one of the top mergers and acquisitions lawyers by Chambers.

There is no specific term or proposed length of services for Mr. Xiang's appointment but his appointment shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Pursuant to the service agreement entered into between the Company and Mr. Xiang, Mr. Xiang receives no director's fee but is entitled to an annual remuneration of HK\$7,200,000 for acting as the Chief Executive Officer of the Group and discretionary bonus in such sum and at such time or times as the Company may in its discretion determine. Mr. Xiang's remuneration is determined by the Board with reference to his experience and the prevailing market rate.

Mr. Ning Hao ("Mr. Ning")

Mr. Ning, aged 38, was appointed as a non-executive Director on 2 September 2015. Mr. Ning majored in photography and obtained a bachelor degree from Beijing Film Academy (北京電影學院), PRC, in 2003. Mr. Ning is a film director and screenwriter who has directed seven films between 2003 and 2014, which were engraved with his unique personal style and won international acclaim. All of Mr. Ning's films have achieved strong investment returns. His directorial debut Incense 《香火》(2003) and his second film Mongolian Ping Pong 《綠草地》(2004) were nominated in more than 50 international film festivals, including the Berlin Film Festival, Locarno Film Festival and the Hong Kong Film Festival. Among these, Incense won the Grand Prize at the Fourth Tokyo FILMeX Festival in 2003 and the Golden Prize (Asian Digital Films) at the 28th Hong Kong International Film Festival in 2004. In 2006, Mr. Ning directed his small budget film Crazy Stone 《瘋狂的石頭》, which won the Taiwan Golden Horse Award (臺灣金馬獎) for the Best Original Screenplay. Crazy Racer 《瘋狂的賽車》(2009), which was wrote and directed by Mr. Ning, was produced for an investment of only RMB10 million and achieved over RMB100 million at the box office. In 2013, Mr. Ning directed No Man's Land 《無人區》, which won the Annual Tribute Movie by One Hundred Media (百家傳媒年度致敬電影) at the 14th Chinese Film Media Awards (華語電影傳媒大獎). Mr. Ning also directed the huge box office hit Breakup Buddies 《心花路放》(2014) which grossed RMB1,169 million (US\$187 million) at the PRC box office and became the highest grossing-domestic Chinese film of the year.

Pursuant to the service agreement entered into between the Company and Mr. Ning, Mr. Ning's appointment is for a term of 2 years and shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. Ning is entitled to receive an annual remuneration of HK\$240,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

As at the Latest Practicable Date, Mr. Ning was deemed to be interested in 1,431,304,354 Shares (being 461,711,082 Shares held by Newwood, 92,342,216 Shares held by Numerous Joy, 438,625,528 Shares held by Pacific Wits and 438,625,528 Shares held by Tairong) within the meaning of Part XV of the SFO.

Mr. Xu Zheng (“Mr. Xu”)

Mr. Xu, aged 43, was appointed as a non-executive Director on 2 September 2015. Mr. Xu graduated with a bachelor degree from Shanghai Theatre Academy (上海戲劇學院), PRC, in 1994. Mr. Xu is an actor, director, screenwriter and producer. He started his career as an actor in the 1990s. Mr. Xu rose to national stardom in 2000 with the TV series Sunny Piggy 《春光燦爛豬八戒》, followed by other successful TV dramas such as Li Wei the Magistrate 《李衛當官》 (2002). Mr. Xu then focused more on films, starring in comedies Call for Love 《愛情呼叫轉移》 (2007) and Call for Love II 《愛情呼叫轉移2》 (2008), Lost on Journey 《人在囧途》 (2010), No Man’s Land 《無人區》 (2013) (for which he was awarded the best lead actor by the Chinese Film Director Association (中國電影導演協會) in 2014) and the huge box office hit Breakup Buddies 《心花路放》 (2014). In 2012, his directorial debut Lost in Thailand 《人在囧途之泰囧》 (a road trip comedy) which he also wrote, produced and starred in, earned over US\$200 million and became the highest-grossing domestic Chinese film ever. In 2014, he produced and starred in The Great Hypnotist 《催眠大師》 (a suspense thriller film), which achieved groundbreaking box-office success and a great reputation in the Chinese suspense thriller film market.

Pursuant to the service agreement entered into between the Company and Mr. Xu, Mr. Xu’s appointment is for a term of 2 years and shall subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. Xu is entitled to receive an annual remuneration of HK\$240,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

As at the Latest Practicable Date, Mr. Xu was deemed to be interested in 1,431,304,354 Shares (being 461,711,082 Shares held by Newwood, 92,342,216 Shares held by Numerous Joy, 438,625,528 Shares held by Pacific Wits and 438,625,528 Shares held by Tairong) within the meaning of Part XV of the SFO.

Mr. Gao Zhikai (“Mr. Gao”)

Mr. Gao, aged 53, was appointed as a non-executive Director on 2 September 2015. Mr. Gao is the vice chairman of Sino-Europe United Investment Corporation. Mr. Gao has extensive experience, knowledge and professional expertise in law, investment banking, venture capital and private equity, and corporate management. In the 1980s, Mr. Gao was an English interpreter for the Second Generation of Chinese leaders, including Mr. Deng Xiaoping, and also worked with the United Nations Secretariat in New York City. Mr. Gao’s main working experience since graduating from Yale Law School in 1993 with a Juris Doctor degree included working as a lawyer with the New York City-headquartered law firm, Milbank, Tweed, Hadley & McCloy, as an investment banker with Morgan Stanley and its joint venture investment bank in China, China International Capital Corporation, as the China Policy Advisor with the SFC, and with major corporations including PCCW Limited, Henderson Land Development Company Limited and China National Offshore Oil Corporation (“CNOOC”). At CNOOC, Mr. Gao was a senior vice president, general counsel, company secretary, and a member of the CNOOC’s Investment Committee, and a director of CNOOC International, the holding company for all the overseas operating assets of CNOOC. Mr. Gao was the first

secretary general of China Private Equity Association (which was subsequently renamed China Association of Private Equity). Mr. Gao was also an executive vice president, managing director and co-chairman of China at Daiwa Capital Markets (Hong Kong) Limited. Over the past two decades, Mr. Gao has extensive experience as a director and/or advisor to major corporations, both in China and internationally, including a number of Fortune 500 companies. At present, Mr. Gao is a member of the Global Council of Asia Society, a member of the International Advisory Board of the Brookings Doha Energy Forum, a member of the International Advisory Board of the Energy Intelligence Group, the chairman of China Energy Security Institute, and a member or an advisor at a number of other non-profit and charity organizations. Mr. Gao has a Bachelor of Arts degree in English Literature from Suzhou University, a Master of Arts degree in English Literature from Beijing University of Foreign Studies, a Master of Arts degree in Political Science from the Graduate School of Yale University, and a Juris Doctor degree from Yale Law School. Mr. Gao is licensed as an attorney-at-law in the State of New York of the United States of America.

Pursuant to the service agreement entered into between the Company and Mr. Gao, Mr. Gao's appointment is for a term of 2 years and shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. Gao is entitled to receive an annual remuneration of HK\$240,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

As at the Latest Practicable Date, Mr. Gao was deemed to be interested in 46,171,108 Shares (being 46,171,108 Shares held by Dayunmony) within the meaning of Part XV of the SFO.

Mr. So Chak Kwong (“Mr. So”)

Mr. So, aged 70, was appointed as a non-executive Director on 2 September 2015. Mr. So is also a member of the audit committee of the Company. Mr. So is currently an independent non-executive director of the AIA Group Limited (stock code: 1299). From August 2007 to September 2010, Mr. So served as an independent non-executive director of AIA Company Limited (formerly known as American International Assurance Company, Limited), a wholly-owned subsidiary of the AIA Group Limited. He is currently also an independent senior advisor to Credit Suisse, Greater China. Mr. So also served as an independent non-executive director of Cathay Pacific Airways Limited from September 2002 to May 2015 and an executive director of the Hong Kong Trade Development Council from 1985 to 1992 and was appointed as its chairman in October 2007. He was also appointed as the chairman of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland in October 2013, served as the chairman of the Film Development Council from April 2007 to March 2013 and was awarded the Gold Bauhinia Star by the HKSAR Government in 2011. He has been a member of the Chinese People's Political Consultative Conference since 2008. He is an International Business Advisor to the Mayor of Beijing and the Honorary Consultant to the Mayor of San Francisco.

Pursuant to the service agreement entered into between the Company and Mr. So, Mr. So's appointment is for a term of 2 years and shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. So is entitled to receive an annual remuneration of HK\$240,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

As at the Latest Practicable Date, Mr. So was deemed to be interested in 46,171,108 Shares (being 46,171,108 Shares held by Concept Best) within the meaning of Part XV of the SFO.

Mr. David Su Tuong Sing (“Mr. Su”)

Mr. Su, aged 44, was appointed as an independent non-executive Director on 2 September 2015. Mr. Su is also the chairman of the remuneration committee, the chairman of the nomination committee and a member of the audit committee of the Company. Mr. Su is a managing partner at Matrix Partners China, a venture capital firm specializing in, early and growth stage investments and focused primarily on internet, mobile, software and medical technology investments. Mr. Su, through Matrix Partners China and other investment vehicles, has been investing in China for the past 15 years and his investments include Baidu Inc. (NASDAQ:BIDU), China Kanghui Holdings Inc. (NYSE:KH), AAC Technologies Holdings Inc. (stock code: 2018), Bona Film Group Limited (NASDAQ:BONA), DiDi-Kuaidi, Shanghai Kingnet Technology Co. Ltd, and Reach Surgical, Inc.. Prior to joining Matrix Partners China, Mr. Su was a co-founder and general partner of TDF Capital and KPCB China Fund, both of which are venture capital firms specializing in early and growth stage investments. Prior to joining the venture capital industry, Mr. Su worked at Lotus Development, IBM Software Company for seven years and he had made significant contributions to Lotus's overall software and services business in the Greater China region. Mr. Su started his career at Port of Singapore Authority, responsible for information system development and management. Mr. Su graduated from Nanyang Technological University with a Bachelor Degree in Computer Engineering.

Pursuant to the service agreement entered into between the Company and Mr. Su, Mr. Su's appointment is for a term of 2 years and shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. Su is entitled to receive an annual remuneration of HK\$240,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

Mr. Li Xiaolong (“Mr. Li”)

Mr. Li, aged 50, was appointed as an independent non-executive Director on 2 September 2015. Mr. Li is a member of the remuneration committee and nomination committee of the Company. Mr. Li has more than 20 years of experience in the industry of information technology and telecommunications. He is the founder and chairman of Net 263 Ltd. (Shenzhen Stock Exchange: 002467), a company based in Beijing and which provides integrated communication services for medium-and small-sized enterprises and professionals. Since September 2004, Mr. Li was the director and general manager of Net 263 Ltd., and since August 2006, the director of Net 263 Ltd. He has been an independent director at E-Commerce

China Dangdang Inc. (NYSE: DANG) since December 2010, and an independent director at Kongzhong Corp. (NASDAQ: KZ) since 2012. Mr. Li studied Computer Science at Beijing Industry University. Mr. Li attended the undergraduate program in software engineering in Beijing University of Technology. In January 2013, Mr. Li was appointed as a committee member of the telecommunications and economic experts of the Ministry of Industry and Information Technology.

Pursuant to the service agreement entered into between the Company and Mr. Li, Mr. Li's appointment is for a term of 2 years and shall be subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules. Mr. Li is entitled to receive an annual remuneration of HK\$240,000. His remuneration is determined by the Board with reference to his experience and the prevailing market rate.

As at the Latest Practicable Date, save as disclosed above, the above retiring Directors has no interest in the Shares within the meaning of Part XV of the SFO, has not held any other directorships in any public listed companies in the past three years, were not connected with any Directors, senior management or substantial or controlling shareholders of the Company (as defined in the Listing Rules) and there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

NOTICE OF SPECIAL GENERAL MEETING



Huanxi Media Group Limited

歡喜傳媒集團有限公司*

(Formerly known as 21 Holdings Limited 21控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

NOTICE IS HEREBY GIVEN that the special general meeting of Huanxi Media Group Limited (the “Company”) to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 16 December 2015, Wednesday at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**, the sale and purchase agreement (“Agreement”) dated 21 September 2015 between Sinofocus Media (Holdings) Limited, a wholly owned subsidiary of the Company, and Beijing Joy Leader Culture Communication Co. Ltd (北京真樂道文化傳播有限公司) (“Vendor”) in relation to acquisition by Sinofocus Media (Holdings) Limited from the Vendor of certain income rights to the film 《港囧》(Lost in Hong Kong), as detailed in the Company’s circular of which this notice forms part, and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified, and the board of directors of the Company (the “Board”) and its delegates are hereby authorized to do all such acts, matters and things as the Board or its delegates may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the Agreement including the amendment, variation or modification of the terms and conditions of the Agreement on such terms and conditions as the Board or its delegates may consider appropriate.”
2. **“THAT**, the following directors of the Company be re-elected as directors:
 - (i) Mr. Dong Ping;
 - (ii) Mr. Xiang Shaokun, Steven;
 - (iii) Mr. Ning Hao;
 - (iv) Mr. Xu Zheng;
 - (v) Mr. Gao Zhikai;
 - (vi) Mr. So Chak Kwong;
 - (vii) Mr. Su Tuong Sing, David; and
 - (viii) Mr. Li Xiaolong.”

* for identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

3. “**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, additional shares of HK\$0.01 each in the capital of the Company (the “**Shares**”) to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as defined below) of the share option scheme adopted by the Company on 17 June 2014 (the “**Share Option Scheme**”), the refreshment of the general limit in respect of the grant of options to subscribe for Shares under the Share Option Scheme be and is hereby approved provided that:
- (a) the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed hereby shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution (the “**Refreshed Limit**”);
 - (b) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the Refreshed Limit;
 - (c) the Directors be and are hereby unconditionally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement; and
 - (d) such increase in the Refreshed Limit shall in no event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company exceed 30% of the Shares in issue from time to time.”

By order of the Board
Huanxi Media Group Limited
Xiang Shaokun, Steven

Executive Director and Chief Executive Officer

Hong Kong, 30 November 2015

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote on his behalf. The proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the form of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

As at the date hereof, the Board comprises Mr. Dong Ping 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.