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歡喜傳媒集團有限公司*
HUANXI MEDIA GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

DISTRIBUTION AGREEMENT IN RELATION TO A FILM

This announcement is made pursuant to Rule 13.09 of the Listing Rules and provisions under Part XIVA of the SFO.

On 15 March 2021 (after trading hours), Huanxi (an indirect wholly-owned subsidiary of the Company) entered into a Distribution Agreement with the minimum guarantor in relation to *Li Na* (獨自•上場) (formerly known as *Li Na* (李娜)), a film exclusive invested by the Group, directed by Mr. Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc., where the minimum guarantor shall have the exclusive right to distribute the Film through cinema circuits and cinemas in cities located in the PRC, from the effective date of the Distribution Agreement to the expiry of the tenth anniversary of the first release date of the Film in the PRC. Pursuant to which, the minimum guarantor shall pay Huanxi a consideration for minimum guaranteed distribution of at least RMB600,000,000 (equivalent to approximately HK\$716,400,000) and the relevant costs of the Film is approximately RMB304,000,000 (equivalent to approximately HK\$362,976,000); in the event that the actual Gross Box Office of the Film is higher than the agreed Gross Box Office, in addition to the aforementioned consideration for minimum guaranteed distribution, the parties may distribute the excess portion.

After signing the Distribution Agreement, the Group will continue to retain other rights attached to the Film, including all income generated from its benefits in relation to the Film, including all distribution rights in other overseas cinema circuits and cinemas, as well as the global New Media Broadcasting Right.

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

* For identification purpose only

INTRODUCTION

This announcement is made pursuant to Rule 13.09 of the Listing Rules and provisions under Part XIVA of the SFO.

The Board is pleased to announced that on 15 March 2021 (after trading hours), Huanxi (an indirect wholly-owned subsidiary of the Company) entered into a Distribution Agreement with the minimum guarantor in relation to *Li Na* (獨自•上場) (formerly known as *Li Na* (李娜)), a film exclusive invested by the Group, directed by Mr. Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc., pursuant to which, the minimum guarantor shall pay Huanxi a consideration for minimum guaranteed distribution of at least RMB600,000,000 (equivalent to approximately HK\$716,400,000); in the event that the actual Gross Box Office of the Film is higher than the agreed Gross Box Office, in addition to the aforementioned consideration for minimum guaranteed distribution, the parties may distribute the excess portion. Principal terms of the Distribution Agreement are set out below:

DISTRIBUTION AGREEMENT

Date: 15 March 2021 (after trading hours)

Parties: (1) Huanxi
(2) Huawen Picture (the “**minimum guarantor**”)

To the best of the Board’s knowledge, information and belief, having made all reasonable enquiries, as at the date of the Distribution Agreement and as defined under the Listing Rules, the minimum guarantor and its ultimate beneficial owner are not connected persons of the Company, but Independent Third Parties.

SUBJECT MATTER

Pursuant to the Distribution Agreement, the minimum guarantor shall undertake minimum guaranteed distribution for *Li Na* (獨自•上場) (formerly known as *Li Na* (李娜)), a film in production exclusively invested by the Group and directed by Mr. Chan Ho Sun Peter. The minimum guarantor shall have the exclusive right to distribute the Film through cinema circuits and cinemas in cities located in the PRC, from the effective date of the Distribution Agreement to the expiry of the tenth anniversary of the first release date of the Film in the PRC.

Pursuant to the Distribution Agreement, in the event that the actual Gross Box Office of the Film is equal to or lower than the agreed Gross Box Office, the consideration for minimum guaranteed distribution of the Film is RMB600,000,000. In the event that the box office income is higher than the agreed Gross Box Office, in addition to the aforementioned consideration for minimum guaranteed distribution, the parties may distribute the excess portion.

The Directors are of the view that determination of the consideration for minimum guaranteed distribution is entered into on normal commercial terms, it is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

COMPLETION

Completion of the Distribution Agreement shall take place when Huanxi has provided the minimum guarantor with the broadcast medium for the Film in its finished form and obtained Permit for Public Projection of Films (電影公映許可證) for the Film, and the minimum guarantor has paid Huanxi the consideration for minimum guaranteed distribution in full.

INFORMATION ON THE COMPANY AND HUANXI

The Company is an investment holding company and film investment company and its subsidiaries are principally engaged in media and entertainment related businesses, including development and investment in films and TV drama series, as well as operation of an online video platform. Huanxi is a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company, which is primarily engaged in investment in TV and film rights, as well as operation of an online video platform.

INFORMATION ON THE MINIMUM GUARANTOR

Huawen Picture (Beijing) Film Industry Co., Ltd* (華文映像(北京)影業有限公司) is a company incorporated under the laws of the PRC, which is primarily engaged in the films and TV entertainment related businesses.

FINANCIAL EFFECT OF THE DISTRIBUTION AGREEMENT

The Group is expected to record a revenue of not less than RMB600,000,000 (equivalent to approximately HK\$716,400,000) in relation to the minimum guaranteed distribution of the film *Li Na* (獨自•上場) and the costs related to the Film is approximately RMB304,000,000 (equivalent to approximately HK\$362,976,000).

Following the completion of the Distribution Agreement, the consideration for minimum guaranteed distribution to be received by the Group under the Distribution Agreement, together with costs related to the Film, will be included in the Group's statement of profit or loss as revenue and cost, respectively, within the 2021 second half account.

After signing the Distribution Agreement, the Group will continue to retain other rights attached to the Film, including all income generated from its benefits in relation to the Film, including all distribution rights in other overseas cinema circuits and cinemas, as well as the global New Media Broadcasting Right.

REASONS FOR AND BENEFITS OF THE DISTRIBUTION AGREEMENT

Through the Distribution Agreement, the minimum guarantor promises that regardless of whether the Film achieves the agreed Gross Box Office or not, the minimum guarantor would still need to pay a consideration for minimum guaranteed distribution of at least RMB600,000,000 in order to obtain the distribution rights of the Film in the PRC. Therefore, the Group will be able to eliminate risks associated with the Film's box office, recover the investment cost in advance and secure considerable profit in relation to the Film project, while retaining part of the income rights for the portion of the Film's box office in excess of the agreed Gross Box Office. An early obtainment of revenue associated with the Film will enable the Group to invest in other film and TV programme projects, and use it as working capital, thereby accelerating business development for the Group.

Based on the above, the Directors (including independent non-executive Directors) are of the view that the Distribution Agreement is entered into after arm's length negotiations between the parties, it reflects normal commercial terms, is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

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

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day other than (i) Saturday, Sunday or public holiday; or (ii) on which banks are closed for general banking business in Hong Kong or the PRC
“Company”	Huanxi Media Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Distribution Agreement”	the distribution agreement entered into between Huanxi and the minimum guarantor on 15 March 2021 in relation to the minimum guaranteed distribution of the Film
“Film”	<i>Li Na</i> (獨自•上場) (formerly known as <i>Li Na</i> (李娜)), a film in production exclusively invested by the Group, directed by Mr. Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc.
“Gross Box Office”	the aggregate box office generated by cinemas in the PRC through projection of the Film, which is calculated based on relevant information provided and confirmed by receipts issued by cinemas and cinema circuits
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huanxi”	Huan Huan Xi Xi (Tianjin) Culture Investment Company Limited* (歡歡喜喜(天津)文化投資有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Huawen Picture”	Huawen Picture (Beijing) Film Industry Co., Ltd* (華文映像(北京)影業有限公司), a company incorporated under the laws of the PRC, which is primarily engaged in the films and TV entertainment related businesses
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Media Broadcasting Right”	any form of media (on a global basis) whose broadcasting right is not applied in traditional cinemas, including but not limited to, content distributed through the internet, broadband, mobile internet technology, such as web video, cellphone video application, Tablet Personal Computer video application, Personal Computer video application, internet television, IPTV (Internet Protocol Television), future media applications, satellites, cable televisions, television media (free or paid), audio-visual products, audio and through video equipment or any other terminals or equipment (via internet cafes, hotels, aircrafts, trains, vehicles) or other media applications that may be invented in the future
“PRC”	The People’s Republic of China, for the purposes of this announcement, excludes Hong Kong and the Macau Special Administrative Region of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 15 March 2021

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.194. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the Board comprises Mr. Dong Ping (Chairman) and Mr. Xiang Shaokun, Steven (Chief Executive Officer) as executive Directors, Mr. Ning Hao, Mr. Xu Zheng and Ms. Li Ni as non-executive Directors, and Mr. Wong Tak Chuen, Mr. Li Xiaolong and Mr. Wang Hong as independent non-executive Directors.