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歡喜傳媒集團有限公司*
HUANXI MEDIA GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 1003)

**ISSUE OF NEW SHARES UNDER GENERAL MANDATE
AND
INSIDE INFORMATION RELATING TO COOPERATION
AGREEMENTS**

On December 6, 2016 (after trading hours), the Company and one of its indirect wholly-owned subsidiaries entered into (i) the Gu Agreement with Mr. Gu, and (ii) the Zhang Agreement with Mr. Zhang, pursuant to which Mr. Gu and Mr. Zhang have respectively and conditionally agreed to provide to the Company (or its designated Group Member) with certain services, and investment and other rights, relating to certain film and internet drama series productions as set forth in the Gu Agreement and the Zhang Agreement, respectively. Pursuant to the Gu Agreement and the Zhang Agreement, the Company has conditionally agreed to allot and issue, respectively, 75,000,000 Shares to Mr. Gu (or his designated wholly-owned company) and 140,000,000 Shares to Mr. Zhang. The Gu Shares and the Zhang Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

The Gu Shares represent (i) approximately 2.94% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 2.85% of the issued share capital of the Company as enlarged by the issuance of the Gu Shares (without taking into account of the Zhang Shares and assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Gu Completion Date save for the issuance of the Gu Shares); and (iii) approximately 2.71% of the issued share capital of the Company as enlarged by the issuance of the Gu Shares and the Zhang Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Gu Completion Date save for the issuance of the Gu Shares and the Zhang Shares).

The Zhang Shares represent (i) approximately 5.48% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 5.20% of the issued share capital of the Company as enlarged by the issuance of the Zhang Shares (without taking into account of the Gu Shares and assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Zhang Completion Date save for the issuance of the Zhang Shares); and (iii) approximately 5.06% of the issued share capital of the Company as enlarged by the issuance of the Zhang Shares and the Gu Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Zhang Completion Date save for the issuance of the Zhang Shares and the Gu Shares).

Completion of the Issuance is conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Gu Shares and the Zhang Shares.

Shareholders and potential investors should note that completion of the Issuance is subject to fulfillment of the respective conditions under the Cooperation Agreements. The Issuance and the transactions contemplated under the Cooperation Agreements may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Concurrent with the entering into of the Cooperation Agreements, the Board is pleased to announce that one of the Company's indirectly wholly-owned subsidiaries entered into the Chen Agreement with Mr. Chen on December 6, 2016 (after trading hours), pursuant to which Mr. Chen has conditionally agreed to provide to the Company's indirectly wholly-owned subsidiary with certain services, and investment and other rights relating to certain film and internet drama series productions as set forth in the Chen Agreement. It is provided under the Chen Agreement that there will be no issuance of Shares to Mr. Chen, but in consideration, payments (such as development fund, film director fees and creative member fees) will be agreed separately for each of Mr. Chen's films and internet drama series productions referred to in the Chen Agreement.

Certain information set forth in this announcement may be price sensitive. This announcement is accordingly being made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the SFO.

A. INTRODUCTION

On December 6, 2016 (after trading hours), the Company and one of its indirect wholly-owned subsidiaries entered into (i) the Gu Agreement with Mr. Gu, and (ii) the Zhang Agreement with Mr. Zhang, pursuant to which Mr. Gu and Mr. Zhang have respectively and conditionally agreed to provide to the Company (or its designated Group Member) with certain services, and investment and other rights, relating to certain film and internet drama series productions as set forth in the Gu Agreement and the Zhang Agreement, respectively. Pursuant to the Gu Agreement and the Zhang Agreement, the Company has conditionally agreed to allot and issue, respectively, 75,000,000 Shares to Mr. Gu (or his designated wholly-owned company) and 140,000,000 Shares to Mr. Zhang. The Gu Shares and the Zhang Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting.

The Gu Shares represent (i) approximately 2.94% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 2.85% of the issued share capital of the Company as enlarged by the issuance of the Gu Shares (without taking into account of the Zhang Shares and assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Gu Completion Date save for the issuance of the Gu Shares); and (iii) approximately 2.71% of the issued share capital of the Company as enlarged by the issuance of the Gu Shares and the Zhang Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Gu Completion Date save for the issuance of the Gu Shares and the Zhang Shares).

The Zhang Shares represent (i) approximately 5.48% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 5.20% of the issued share capital of the Company as enlarged by the issuance of the Zhang Shares (without taking into account of the Gu Shares and assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Zhang Completion Date save for the issuance of the Zhang Shares); and (iii) approximately 5.06% of the issued share capital of the Company as enlarged by the issuance of the Zhang Shares and the Gu Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Zhang Completion Date save for the issuance of the Zhang Shares and the Gu Shares).

Concurrent with the entering into of the Cooperation Agreements, the Board is pleased to announce that one of the Company's indirectly wholly-owned subsidiaries entered into the Chen Agreement with Mr. Chen on December 6, 2016 (after trading hours), pursuant to which Mr. Chen has conditionally agreed to provide to the Company's indirectly wholly-owned subsidiary with certain services, and investment and other rights relating to certain film and internet

drama series productions as set forth in the Chen Agreement. It is provided under the Chen Agreement that there will be no issuance of Shares to Mr. Chen, but in consideration, payments (such as development fund, film director fees and creative member fees) will be agreed separately for each of Mr. Chen's films and internet drama series productions referred to in the Chen Agreement.

B. ISSUE OF THE GU SHARES AND THE ZHANG SHARES UNDER GENERAL MANDATE

The Gu Shares and the Zhang Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting. Under the General Mandate, the Board is authorized to allot and issue up to 461,711,081 new Shares. As of the date of this announcement, 244,500,000 Shares have already been allotted and issued under the General Mandate and 217,211,081 Shares remain to be allotted and issued.

C. SUMMARY OF THE GU AGREEMENT

The terms of the Gu Agreement, including the scope of Mr. Gu's services and commitments and the number of Gu Shares to be issued under the Gu Agreement, were negotiated on an arm's length basis between the parties and on normal commercial terms. The Company took into account various factors, including Mr. Gu's reputation and standing in the film industry and the box office revenue generated by a number of his film productions, as well as the opportunities and prospects of Mr. Gu working with the Group going forward, as set forth in this announcement under the heading "Reasons for and Benefits of the Arrangements with Mr. Gu, Mr. Zhang and Mr. Chen".

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, Mr. Gu is not a connected person of the Company and is an Independent Third Party as at the date of the Gu Agreement.

Investment and distribution rights

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

- (a) during the Gu Initial Cooperation Period, the Company (or its designated Group Member) will have the exclusive right to invest in two seasons of an internet drama series directed (or co-directed) by Mr. Gu (the "**Gu Internet Series**") (the "**Gu Internet Series Investment Right**"). The exact investment amount is to be agreed between the Company (or its designated Group Member) and Mr. Gu;

- (b) the Company (or its designated Group Member) will be granted exclusive global distribution rights in New Media with respect to the Gu Internet Series (the “**Gu Internet Series New Media Distribution Rights**”);
- (c) Mr. Gu will use his best endeavours to provide the Company (or its designated Group Member) with priority rights to invest in Mr. Gu’s Productions during the Gu Initial Cooperation Period. The exact investment amount in each of Mr. Gu’s Productions is to be agreed between the Company (or its designated Group Member) and Mr. Gu;
- (d) the Company (or its designated Group Member) will have the right to purchase exclusive global distribution licenses in New Media with respect to at least two of Mr. Gu’s Productions (the “**Gu New Media Distribution Rights**”). The amount of the consideration for Gu New Media Distribution Rights is subject to negotiation and agreement but shall not be lower than market price;
- (e) Mr. Gu will use his best endeavours to provide the Company (or its designated Group Member) with participation rights with respect to investments in Other Gu Productions; and
- (f) Mr. Gu will be appointed to the Company’s Artistic Advisory Committee and will also, from time to time, provide consultancy services to the Company in respect of films and programmes.

Fees and allocation of profits

Subject to any further detailed terms as may be provided in the relevant investment and production agreement, the Gu Distribution Profits arising from a Gu Invested Production will be allocated to the Company (or its designated Group Member) and other investors on a pro rata basis in proportion to their respective amount of cash investment.

All revenue arising from the Gu New Media Distribution Rights through New Media, including the Company’s (or its designated Group Member’s) own platform or any third party platform that the Company (or its designated Group Member) may authorize, will, for a term of 15 years as from the date of delivery of such Mr. Gu’s Production to the Company (or its designated Group Member), belong to the Company (or its designated Group Member). Furthermore, all revenue arising from (i) the Gu Internet Series New Media Distribution Rights, and (ii) the Gu Internet Series that the Company (or its designated Group Member) invested in through the exercise of the Gu Internet Series Investment Right, will belong to the Company (or its designated Group Member).

All other fees or payments (such as film director fees and creative member fees) will be agreed separately for each of the Mr. Gu’s Productions and Other Gu Productions.

Development fund

The Company (or its designated Group Member) will contribute a total of RMB40 million (or an equivalent amount in HK\$) for the development of the first season of the Gu Internet Series and Mr. Gu's Productions (the "**Gu Development Fund**"), RMB 20 million (or an equivalent amount in HK\$) of which will be paid within fifth Business Days of the Gu Completion Date and the remaining RMB20 million (or an equivalent amount in HK\$) will be paid after the Gu Completion Date but on or before January 30, 2017.

In the event that the Agreement is terminated, any amount of the Gu Development Fund remaining unutilised will be returned by Mr. Gu to the Company (or its designated Group Member) within 15 days of termination.

Conditions

The Company will issue and allot the Gu Shares to Mr. Gu within fifteen Business Days of the satisfaction or waiver of the conditions set forth in the Gu Agreement, which include, among others:

- (a) the due execution and delivery of the Gu Agreement by Mr. Gu to the Company;
- (b) the representations and warranties made by Mr. Gu set forth in the Gu Agreement remaining true, accurate and complete;
- (c) Shareholders' approval being obtained for the Gu Agreement and the transactions thereunder (if necessary); and
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Gu Shares.

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

D. SUMMARY OF THE ZHANG AGREEMENT

The terms of the Zhang Agreement, including the scope of Mr. Zhang's services and commitments and the number of Zhang Shares to be issued under the Zhang Agreement, were negotiated on an arm's length basis between the parties and on normal commercial terms. The Company took into account various factors, including Mr. Zhang's reputation and standing in the film industry and the box office revenue generated by a number of his film productions, as well as the opportunities and prospects of Mr. Zhang working with the Group going forward, as set forth in this announcement under the heading "Reasons for and Benefits of the Arrangements with Mr. Gu, Mr. Zhang and Mr. Chen".

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, Mr. Zhang is not a connected person of the Company and is an Independent Third Party as at the date of the Zhang Agreement.

Investment and distribution rights

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

- (a) the Company (or its designated Group Member) will have priority over others to invest in at least two of Mr. Zhang's Productions during the Zhang Initial Cooperation Period, with no less than 55% of the total investment amount in each of the Mr. Zhang's Productions (the "**Zhang Film Production Investment Rights**"). The exact investment amount in each of Mr. Zhang's Productions is to be agreed between the Company and Mr. Zhang prior to the production of the relevant film;
- (b) regardless of the actual amount of investment made by the Company (or its designated Group Member) in Mr. Zhang's Productions, the Company (or its designated Group Member) will have priority rights to purchase exclusive global distribution licenses in New Media with respect to at least two of Mr. Zhang's Productions (the "**Zhang New Media Distribution Rights**"). The amount of the consideration for Zhang New Media Distribution Rights is subject to negotiation and agreement but shall not be lower than market price;
- (c) during the Zhang Initial Cooperation Period, the Company (or its designated Group Member) will have the exclusive right to invest in two seasons of an internet drama series directed (or co-directed) by Mr. Zhang (the "**Zhang Internet Series**") (the "**Zhang Internet Series Investment Right**"). The exact investment amount is to be agreed between the Company (or its designated Group Member) and Mr. Zhang;
- (d) with respect to the two seasons of the Zhang Internet Series directed (or co-directed) by Mr. Zhang, the Company (or its designated Group Member) will be granted exclusive global distribution rights in New Media (the "**Zhang Internet Series New Media Distribution Rights**");
- (e) Mr. Zhang will use his best endeavours to provide the Company (or its designated Group Member) with participation rights with respect to investments in Other Zhang Productions; and
- (f) Mr. Zhang will be appointed to the Company's Artistic Advisory Committee and will also, from time to time, provide consultancy services to the Company in respect of films and programmes.

Fees and allocation of profits

Subject to any further detailed terms as may be provided in the relevant investment and production agreement, the profits arising out of the use or licensing of the copyrights in respect of a Zhang Invested Production will be allocated to the Company (or its designated Group Member) and other investors, on a pro rata basis in proportion to their respective amount of cash investment; provided that: in the case that the Group's actual investment in a Zhang Invested Production exceeds 55% of the total investment amount: (i) for any relevant distributable distribution proceeds (other than those arising from the Zhang New Media Distribution Rights through New Media) attributable to the amount of investment exceeding 55% of the total investment made by the Company (or its designated Group Member), (the "**Excess Portion**") after deducting (ii) the Company's (or its designated Group Member) corresponding investment cost in respect of such Excess Portion, 60% of the remaining profit (i.e. item (i) minus item (ii)) will be allocated to the Company (or its designated Group Member) and 40% of the remaining profit will be allocated to Mr. Zhang.

All revenue arising from (on a global basis) the Zhang New Media Distribution Rights through New Media including the Company (or its designated Group Member)'s own platform or any third party platform that the Company (or its designated Group Member) may authorize will belong to the Company (or its designated Group Member).

In respect of the revenue arising from the Zhang Internet Series, all revenue arising from (on a global basis) the Zhang Internet Series New Media Distribution Rights through New Media including the Company (or its designated Group Member)'s own platform or any third party platform that the Company (or its designated Group Member) may authorize will belong to the Company (or its designated Group Member). Other distribution income not arising through New Media from the Zhang Internet Series will be allocated equally to the Company (or its designated Group Member) and Mr. Zhang on a 50/50 basis.

Other revenues derived from commercial development of Zhang Invested Productions and Zhang Internet Series will be subject to further detailed terms to be provided in the relevant investment and production agreement(s).

All other fees or payments (such as film director fees and creative member fees) will be agreed separately for each of the Mr. Zhang's Productions and Other Zhang Productions.

Development fund

The Company (or its designated Group Member) will contribute a total of RMB100 million (or USD or HK\$ equivalent to such RMB amount) for the development of the Zhang Internet Series and Mr. Zhang's Productions (the "**Zhang Development Fund**"), (i) RMB20 million of which will be paid within fifteen Business Days of the Zhang Completion Date, (ii) RMB30 million of which will be made after the Zhang Completion Date but on or before March 31, 2017, and (iii) in respect of the remaining RMB50 million, all or part of the payment will be made after the Zhang Completion Date but on or before June 30, 2017 (which will be subject to further negotiation between the parties).

In the event that the Agreement is terminated, any amount of the Zhang Development Fund remaining unutilised, will be returned by Mr. Zhang to the Company (or its designated Group Member) within 15 days of termination.

Conditions

The Company will issue and allot Zhang Shares to Mr. Zhang within fifteen Business Days of the satisfaction or waiver of the conditions set forth in the Zhang Agreement, which include, among others:

- (a) the due execution and delivery of the Zhang Agreement by Mr. Zhang to the Company;
- (b) the representations and warranties made by Mr. Zhang set forth in the Zhang Agreement remaining true, accurate and complete;
- (c) Shareholders' approval being obtained for the Zhang Agreement and the transactions thereunder (if necessary); and
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Zhang Shares.

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

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

E. COOPERATION AGREEMENT ENTERED WITH MR. CHEN

Concurrent with the entering into of the Cooperation Agreements, the Board is pleased to announce that one of the Company's indirectly wholly-owned subsidiaries entered into the Chen Agreement with Mr. Chen on December 6, 2016 (after trading hours), pursuant to which Mr. Chen has conditionally agreed to provide to the Company's indirectly wholly-owned subsidiary with certain services, and investment and other rights relating to certain film and internet drama series productions as set forth in the Chen Agreement. It is provided under the Chen Agreement that there will be no issuance of Shares to Mr. Chen, but in consideration, payments (such as development fund, film director fees and creative member fees) will be agreed separately for each of Mr. Chen's films and internet drama series productions referred to in the Chen Agreement.

F. REASONS FOR AND BENEFITS OF THE ARRANGEMENTS WITH MR. GU, MR. ZHANG AND MR. CHEN

The Group is principally engaged in the media and entertainment businesses, as well as the provision of property agency and related services, and securities trading and investments, and advertising agency businesses.

As set out in the annual report of the Company for the year ended December 31, 2015, despite a slowdown in the overall PRC economy in the past year and expected slower economic growth in the coming year, the market is generally optimistic about the prospects of the film industry and new media-related industries in the PRC. The PRC Central Government has been promoting and encouraging further developments in relation to the internet industry generally. China's draft Film Industry Promotion Law (“電影產業促進法(草案)”) contemplates a more efficient film examination process as well as incentives and further copyright protections for local productions. The Board considers that the foregoing serves to reinforce the belief of the board, as well as that of industry observers and participants, that the PRC film and new media industry is a “sunrise” industry with promising potential and many new opportunities.

Mr. Gu is a remarkable and experienced contemporary professional in the film industry. He has been named a “top cinematographer in Asia” since early years and is one of the representative figures of the “Fifth Generation Movies”. When he was a cinematographer, his extraordinary visual aesthetics shocked both China and the foreign countries and he won numerous awards: both King of the Children (1988) and Red Sorghum (1988) were awarded the Best Cinematography in the 8th Gold Rooster Awards in China; In the Heat of the Sun (1996) was awarded the Best Cinematography in the 33rd Golden Horse Film Festival in Taiwan; and by virtue of Farewell My Concubine (1993), Mr. Gu was awarded the Silver Frog Award in the 1st Camerimage Festival – the International Film Festival of the Art of Cinematography and the Academy Award Nomination for Best Cinematography

in the 66th Oscars, etc. Furthermore, *Red Sorghum*, *Farewell My Concubine* and *Devils on the Doorstep* were respectively awarded the Golden Bear Award in Berlin International Film Festival, the Golden Palm Award in Cannes International Film Festival and the Grand Prix in Cannes International Film Festival, etc. After his transformation into a film director in 2003, his film *Peacock* (2005) was awarded, among others, the Jury Grand Prix-Silver Bear in the 55th Berlin International Film Festival and became one of the films drawing most attention in that year; with *And the Spring Comes* (2007), Jiang Wenli was awarded, among others, the Best Actress in the 2nd Rome Film Festival; with *Love for Life* (2011), Mr. Gu was awarded the Best Director in the 20th Shanghai Film Critics Association Awards. After that, Mr. Gu turned to the shooting of commercial films. After the low-cost small production *Love on the Cloud* (2014-2015) has been released in one year and shown over to the next year, there was an upsurge for such film leading to a box office exceeding RMB280,000,000 in the Mainland in that year. His talent in market-oriented films was shown off. Furthermore, Mr. Gu lived in Hollywood for seven years (1995 – 2001) for film shooting and studying, and was elected as a member of the Academy of Motion Picture Arts and Sciences (Oscar). Moreover, it is worth mentioning that Mr. Gu had made impressive achievements in modern art in recent years. His works are exhibited in, among other places, Shanghai, Beijing, Hong Kong, the United States of America, Europe, and are also collections of National Art Museum of China and such other domestic and foreign famous collectors and collection agencies.

Mr. Zhang is a film director and executive producer who graduated from The Central Academy of Drama (Faculty of Drama Literature) with a bachelor of arts degree in literature and a master degree in business administration. He is a member of the 6th Executive Committee of China Film Directors Guild. In 1998, by making the TV series *Eternal Moment*, Mr. Zhang started a new era of teen idol romance dramas in Mainland China, thereby affecting two generations of the 70's and 80's in terms of love concepts and outlook on life. In 2014, by virtue of the film *Fleet of Time*, a nostalgia craze of youthfulness by the 80's generation audience was set off again, further giving rise to the shared feelings of the 90's generation. *I Belonged to You* (2016), a film directed by Mr. Zhang, has a remarkable box office record among China's romantic movies. As many of his teen films were recognized by the market in succession, Mr. Zhang was named by many media as the Godfather of Youthful Dramas in China. Mr. Zhang's in-depth involvement in the design, execution and control of the film projects and his film director and creator roles have sufficiently realized his film artistic attainments and commercial energy. The box office gross of the films of which he acts as director or producer exceeds RMB2.8 billion. Therefore, he is undoubtedly one of the directors/producers with the highest commercial value and best business sense currently found in China.

The Board is of the view that, having regard to the highly competitive film industry, the participation of Mr. Gu and Mr. Zhang in the Company and the services and opportunities they would be providing under the Cooperation Agreements would help the Company secure film investment opportunities and would also further strengthen the Group's advertising, media and entertainment businesses. The Board considers that the Cooperation Agreements represent a key step forward in the implementation of the Company's development plan.

During the negotiations with Mr. Gu and Mr. Zhang with respect to the scope of their services and commitments and the terms of the Cooperation Agreements, including but not limited to the number of Shares to be issued under the Cooperation Agreements, the Board considered, among other things, the box office performances of the films directed or produced by Mr. Gu and Mr. Zhang, as well as the above-mentioned film investment and other opportunities that Mr. Gu and Mr. Zhang can bring to the Group going forward.

The terms and structure of the Cooperation Agreements which includes the Issuance would enable the Group to have the benefit of the opportunities and the services of Mr. Gu and Mr. Zhang described above without any immediate cash outlay by the Company. This would enable the Company to retain more cash for the general working capital of the Group and would also facilitate development funding and future cash investments in film productions and investments including in Mr. Gu's Productions and Mr. Zhang's Productions. In addition, these arrangements including the Issuance would broaden the Company's shareholder base and also facilitate the Group to further explore potential opportunities in the film business. Accordingly, the Board considers it to be in the interests of the Company and its Shareholders as a whole that Shares be issued under the Cooperation Agreements.

Moreover, with respect to the Chen Agreement, the Board also considers that the cooperation with Mr. Chen represents a key step forward in the implementation of the Company's development plan; and having regard to the profile of Mr. Chen, the Board considers it to be in the interests of the Company and its Shareholders as a whole that the Chen Agreement is to be entered into with Mr. Chen.

Mr. Chen graduated from the Performing Arts School of Beijing Film Academy and stayed on teaching there. He is currently a visiting professor of Beijing Film Academy and Vice President of Shanghai International School (上海國際學院) of Beijing Film Academy. He studied screenwriting, directorship and performance in the U.S. in 1990, and participated in performing many Hollywood movies, such as Genghis Khan, Beverly Hills Ninja, U.S. TV series Vanishing Sun, Foreign Moon etc. He also participated in the production of many other Hollywood movies and acted as the executive director of Quentin Tarantino's Kill Bill and the U.S. TV drama Kelly Zhu (朱凱里). Mr. Chen went back to China in 2001 and was the screenwriter/director of his first work, Manhole, which was produced by the famous producer Dong Ping. Released in 2002, Manhole was shortlisted for the Best Emerging Director Award at the 47th San Francisco International Film Festival and was well received in HIFF and the Far East Film Festival in Italy. Mr. Chen's second film One Foot off the Ground was released in China and Southeast Asia in 2006. It was regarded as an excellent film with both humane concern and entertaining factors, and was popular among people in the film industry and his fans. The film was also nominated at the 26th Golden Rooster and Hundred Flowers Film Festival for four awards, including awards of the Best Movie, the Best Screenplay, the Best Actor and the Best Actress, and was awarded the Best Emerging Director and the Best Emerging Screenwriter at the 54th San Sebastian International Film Festival and the Best Director Award at the 9th Festival de Brasília. In 2010, Mr. Chen filmed What Women Want starring Gong Li and Andy Lau. The film became the closing film of the 14th Far East Film Festival in Italy, and was released in, among other places, the North America, Australia, Hong Kong, Taiwan and Southeast Asia with quite good comments.

The Board looks forward to a productive relationship with Mr. Gu, Mr. Zhang and Mr. Chen, and the resulting synergy and the opportunities that are critical to the Company in the development of the film business going forward.

G. EFFECT OF THE ISSUANCE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The illustrative shareholding structure of the Company as at the date of this announcement and immediately after the Completion is as follows (assuming there will not be any change in the issued share capital of the Company from the date of the Cooperation Agreements to the Completion save for the Issuance):

Names of Shareholders	As at the date of this announcement		Immediately after Completion	
	No. of shares	Approx.	No. of shares	Approx.
Newwood Investments Limited (Notes 1 to 3)	461,711,082	18.08%	461,711,082	16.68%
Numerous Joy Limited (Notes 1 & 3)	92,342,216	3.62%	92,342,216	3.34%
Pacific Wits Limited (Notes 1, 2 & 4)	438,625,528	17.18%	438,625,528	15.85%
Tairong Holding Limited (Notes 1, 2 & 5)	438,625,528	17.18%	438,625,528	15.85%
Chan Ho Sun Peter and Ng Kwan Yue Sandra (Note 6)	143,330,000	5.61%	143,330,000	5.18%
Dayunmony Investment Corporation (Note 7)	46,171,108	1.81%	46,171,108	1.67%
Mr. Gu	–	0.00%	75,000,000	2.71%
Mr. Zhang	–	0.00%	140,000,000	5.06%
Other public Shareholders	932,249,946	36.52%	932,249,946	33.68%
Total	<u>2,553,055,408</u>	<u>100.00%</u>	<u>2,768,055,408</u>	<u>100.00%</u>

Upon the Completion and Issuance, neither Mr. Gu nor Mr. Zhang will become a substantial Shareholder (as defined in the Listing Rules).

Notes:

- On April 14, 2015, the Company and nine subscribers, namely Newwood Investments Limited (“**Newwood**”), Numerous Joy Limited (“**Numerous Joy**”), Pacific Wits Limited (“**Pacific Wits**”), Tairong Holdings Limited (“**Tairong**”), Wise Dragon International Limited, Gold Shine Investment Company Limited, Dayunmony Investment Corporation (“**Dayunmony**”), Concept Best Limited (“**Concept Best**”) and Reorient Global Limited (collectively, the “**Subscribers**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, a total of 1,701,416,556 new Shares (the “**Subscription Shares**”) at an issue price of HK\$0.4 per Share (the “**Subscription**”). Details of the Subscription were set out in the Company’s circular dated August 5, 2015. The Subscription was approved by the independent shareholders of the Company at the Company’s special general meeting held on August 28, 2015 and the Subscription Shares were allotted to the Subscribers on September 2, 2015.

2. On April 14, 2015, Mr. Dong Ping (the Chairman and an executive Director of the Company, “**Mr. Dong**”), Newwood, Pacific Wits, Mr. Ning Hao (a non-executive Director, “**Mr. Ning**”), Tairong and Mr. Xu Zheng (a non-executive Director, “**Mr. Xu**”) entered into a shareholders agreement (the “**Shareholders Agreement**”), which sets forth certain rights and obligations of each of the parties in respect of the governance of the Company following completion of the Subscription. Newwood is therefore deemed to be interested in all the Shares in which Mr. Dong, Pacific Wits and Tairong are interested by virtue of section 317 of the SFO.
3. Newwood and Numerous Joy are wholly owned by Mr. Dong. Pursuant to the Subscription Agreement, Newwood and Numerous Joy subscribed for 461,711,082 and 92,342,216 new Shares respectively upon completion of the Subscription. Mr. Dong is also a party to the Shareholders Agreement, is therefore deemed to be interested in all the Shares in which Newwood, Pacific Wits and Tairong are interested by virtue of section 317 of the SFO.
4. Pacific Wits is wholly owned by Mr. Ning. Pursuant to the Subscription Agreement, Pacific Wits subscribed for 438,625,528 new Shares upon completion of the Subscription. Mr. Ning and Pacific Wits are also the parties to the Shareholders Agreement, are therefore deemed to be interested in all the Shares in which Mr. Dong, Newwood and Tairong are interested by virtue of section 317 of the SFO.
5. Tairong is wholly owned by Mr. Xu. Pursuant to the Subscription Agreement, Tairong subscribed for 438,625,528 new Shares upon completion of the Subscription. Mr. Xu and Tairong are also the parties to the Shareholder Agreement, are therefore deemed to be interested in all the Shares in which Mr. Dong, Newwood and Pacific Wits are interested by virtue of section 317 of the SFO.
6. Being the number of Shares set out in the “FORM 1 – Individual Substantial Shareholder Notice” dated October 25, 2016.
7. Dayunmony is ultimately wholly owned by Mr. Gao Zhikai (a non-executive Director).

H. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the issuance of 244,500,000 new Shares on June 17, 2016, the Company has not carried out any fund raising activity by the issuance of equity securities of the Company in the 12 months preceding the date of this announcement.

I. APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Gu Shares and the Zhang Shares on the Stock Exchange.

J. DEFINITIONS

“Affiliates”	With respect to a specified person, directly or indirectly, controls such person or is controlled by the said person or is under common control with the said person, where “control” means power and ability to direct, directly or indirectly, or share equally in or cause the direction of, the management and/or policies of a person, whether through ownership of voting shares or other equivalent interests of the controlled person, by contract or otherwise
“Annual General Meeting”	The annual general meeting of the Company held on June 1, 2016
“Board”	The board of directors of the Company
“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
“Chen Agreement”	The cooperation agreement dated December 6, 2016 entered into by Huanxi Subsidiary with Mr. Chen
“Company”	Huanxi Media Group Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1003)
“Completion”	The Gu Completion and the Zhang Completion
“Cooperation Agreements”	The Gu Agreement and the Zhang Agreement
“General Mandate”	The general mandate to allot, issue and deal with the Shares granted to the Board by resolutions of the Shareholders passed at the Annual General Meeting
“Group”	The Company, its Affiliates and/or subsidiaries
“Group Member”	A member of the Group

“Gu Agreement”	The cooperation agreement dated December 6, 2016 entered into by the Company and Huanxi Subsidiary with Mr. Gu
“Gu Completion”	Completion of the Gu Issuance in accordance with the terms and conditions of the Gu Agreement
“Gu Completion Date”	The date on which the Gu Issuance occurs, which is to be within fifteen Business Days after all of conditions precedent set forth in the Gu Agreement are satisfied or waived
“Gu Cooperation Period”	The Gu Initial Cooperation Period plus an extension of up to a further six years as may be agreed between the Company and Mr. Gu under the Gu Agreement
“Gu Distribution Profits”	All revenues arising out of the Gu Invested Productions and other revenues derived from commercial development of the Gu Invested Productions, less costs and expenses
“Gu Initial Cooperation Period”	A term of six years commencing from the Gu Completion Date
“Gu Invested Production”	A film that constitutes a Mr. Gu’s Production in respect of which the Company has participated or is participating as an investor
“Gu Issuance”	The issuance and allotment of the Gu Shares pursuant to the Gu Agreement
“Gu Shares”	75,000,000 new Shares to be allotted and issued by the Company to Mr. Gu or his designated wholly owned subsidiary pursuant to the Gu Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Huanxi Subsidiary”	歡歡喜喜 (天津) 文化投資有限公司, a company incorporated in Tianjin, PRC, an indirect wholly-owned subsidiary of the Company
“Independent Third Party”	Third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules)
“Issuance”	The Gu Issuance and the Zhang Issuance
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Chen”	Mr. Chen Daming (陳大明)
“Mr. Gu”	Mr. Gu Changwei (顧長衛)
“Mr. Gu’s Production”	A film directed by Mr. Gu that is or is intended to be become publicly screened at cinemas in the PRC
“Mr. Zhang”	Mr. Zhang Xiaoling (張曉陵) (also known as Zhang Yibai (張一白))
“Mr. Zhang’s Production”	A film directed by Mr. Zhang that is or is intended to be become publicly screened at cinemas in the PRC
“New Media”	Any form of media (on a global basis) (other than traditional cinemas) including but not limited to, content distributed through the internet, broadband, mobile internet technology, such as webpage video, cellphone video application, Pad (Tablet Personal Computer) video application, PC (Personal Computer) video application, internet television, IPTV (Internet Protocol Television), satellites, cable televisions, free or paid television channels, audio-visual products, audio or video equipment or any other terminals or equipment (via internet cafes, hotels, aircrafts, trains, vehicles) or other media applications that may be invented in the future

“Other Gu Productions”	Films and programmes (including films, television drama series, online drama series and other television programmes) not directed by Mr. Gu but in respect of which he is either the producer, screenwriter, or other creative member
“Other Zhang Productions”	Films and programmes (including films, television drama series, online drama series and other television programmes) not directed by Mr. Zhang but in respect of which he is either the producer, screenwriter, or other creative member
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	The ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhang Agreement”	The cooperation agreement dated December 6, 2016 entered into by the Company and Huanxi Subsidiary with Mr. Zhang
“Zhang Completion”	Completion of the Zhang Issuance in accordance with the terms and conditions of the Zhang Agreement
“Zhang Completion Date”	The date on which the Zhang Issuance occurs, which is to be within fifteen Business Days after all of conditions precedent set forth in the Zhang Agreement are satisfied or waived
“Zhang Cooperation Period”	The Zhang Initial Cooperation Period plus an extension of up to a further six years as may be agreed between the Company and Mr. Zhang under the Zhang Agreement

“Zhang Initial Cooperation Period”	A term of six years commencing from the Zhang Completion Date
“Zhang Invested Production”	A film that constitutes a Mr. Zhang’s Production in respect of which the Company has successfully exercised its Zhang Film Production Investment Rights and has participated or is participating as an investor
“Zhang Issuance”	The issuance and allotment of the Zhang Shares pursuant to the Zhang Agreement
“Zhang Shares”	140,000,000 new Shares to be allotted and issued by the Company to Mr. Zhang pursuant to the Zhang Agreement
“%”	Percentage

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

Hong Kong, December 6, 2016

As at the date of this announcement, the Board comprises Mr. Dong Ping (Chairman) and Mr. Xiang Shaokun Steven (Chief Executive Officer) as executive directors, Mr. Ning Hao, Mr. Xu Zheng and Mr. Gao Zhikai as non-executive directors, and Mr. Su Tuong Sing, David, Mr. Li Xiaolong and Mr. Wong Tak Chuen as independent non-executive directors.

* *For identification purpose only*