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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
(1) THE ISSUANCE OF NEW SHARES UNDER GENERAL MANDATE;
AND
(2) THE COOPERATION AGREEMENT**

Reference is made to the announcement of Huanxi Media Group Limited (the “**Company**”) dated 30 August 2020 (the “**Announcement**”) in relation to (1) the issuance of new Shares under the General Mandate and (2) the Cooperation Agreement. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide the following additional information in relation to the Subscription Agreement and the Cooperation Agreement.

REASONS FOR THE SUBSCRIPTION AND SUBSCRIPTION SIZE

The Group has long recognised the growing importance of online distribution and broadcasting films and TV content and has been developing its streaming platform “huanxi.com” (歡喜首映). The Board considers that the collaboration with Bilibili will enable the Group to leverage Bilibili’s extensive user base and distribute its content to a much wider audience, generate revenue for the Group, serve to accelerate the growth of “huanxi.com” and widen the recognition of Huanxi Media as a producer of premier films and internet drama series. The Board considers the holding by Bilibili of a meaningful equity stake in the Company to be an important part of the overall arrangements and

* *For identification purposes only*

relationship between the parties, as it would serve to reinforce the strategic and business arrangements contemplated under the Cooperation Agreement and align the interests of Bilibili and the Company. In addition, the Subscription would provide funding to support the Group in its further growth, as the Group has a number of film production and related projects in the pipeline over the next 12 months that the Board believes to be important to platform the Group for further growth.

The Board believes that the Subscription of the scale and on the terms agreed would help achieve the above commercial and strategic objectives in a balanced manner without involving excessive dilution to existing equity, as the potential benefits to the Company and its shareholders of the Subscription – whether viewed separately or in combination with the benefits of the Cooperation Agreement – far outweigh the Subscription’s dilutive effect. The Board considers the Subscription Price to be fair and reasonable as it is in line with the recent trading prices of the shares of the Company. In light of the above, the Board believes that the Subscription would be in the interests of the Company and its shareholders as a whole.

While the Board had considered alternative funding sources and methods (including bank borrowings, as well as private placings), they would not achieve the commercial and strategic objectives that the Subscription and Cooperation Agreement can together achieve.

To the best of the Company’s knowledge, Bilibili and its connected persons do not have any relationship with the Company, its connected persons (including the substantial shareholders) and their respective associates. There is no arrangement, understanding or undertaking between Bilibili, the Company, its connected persons and their respective associates.

USE OF NET PROCEEDS

The net proceeds from the Subscription will amount to approximately HK\$511,700,000, and are currently intended to be applied during the one-year period from the completion of the Subscription as follows:

- (a) approximately HK\$411,700,000 for investment in the Group’s film and TV programmes rights business. The Group expects the investments on the three film projects to incur over the next twelve months and expects to allocate approximately 90% of this amount between two projects, with the remaining 10% to the third project; and
- (b) approximately HK\$100,000,000 for general working capital, which includes salaries and wages, lease of premises and other overheads.

The net proceeds from the Subscription would not be applied to the arrangement under the Cooperation Agreement.

At present, the Company does not have any firm plan to conduct any further fund raising activities apart from the Subscription in the next 12 months. The Board will however continue to review the financial position of the Group, and identify strategic partners. As and when opportunities arise, the Board will consider further the funding needs of the Group and the most appropriate form of fund raising.

REVENUE SHARING UNDER THE COOPERATION AGREEMENT

There is no arrangement for the Company to provide any content or services to Bilibili under the Cooperation other than with respect to the Licensed Content as disclosed in the Announcement. Bilibili will be responsible for all the activities with respect to the Licensed Content to be broadcast on the Bilibili Platforms such as its own platform management and operations, marketing and promotion. Under the terms of the Cooperation Agreement, Bilibili will provide the Company with the relevant revenue figures each month, from which costs such as marketing and promotion costs (subject to the Company's consent) and iOS and Android platform fees and settlement costs would be deducted, and the majority of the net revenue will be for the account of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The Company considers the Cooperation Agreement to be a revenue transaction, no consideration or capital commitment is involved, and therefore exempted under Chapter 14 of the Listing Rules, on the basis that the transactions contemplated by the Cooperation Agreement (i) are in the ordinary course of business of the Group and (ii) would be treated as revenue items for accounting and tax purposes.

Shareholders and potential investors should note that completion of the Subscription is subject to (i) the Cooperation Agreement coming into effect, and (ii) listing approval being obtained with respect to the Subscription Shares. The Cooperation Agreement may not come into effect, and the Subscription may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 10 September 2020

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