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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)

**CONNECTED TRANSACTIONS:
THE FILM PRODUCTION AGREEMENT AND
THE DIRECTOR AGREEMENT**

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

Nuada Limited

THE FILM PRODUCTION AGREEMENT AND THE DIRECTOR AGREEMENT

On 20 December 2021, (i) the Group Companies entered into the Film Production Agreement with Hainan Ruri Fangsheng, pursuant to which Hainan Ruri Fangsheng has conditionally agreed to provide the Film Production Services to the Group Companies in relation to the Film; and (ii) the Company entered into the Director Agreement with Mr. Ning Hao, pursuant to which Mr. Ning Hao has conditionally agreed to act as the director of the Film.

* For identification purposes only

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Ning Hao is a non-executive director of the Company and the sole ultimate beneficial owner of Pacific Wits, a substantial shareholder of the Company which holds 438,625,528 Shares, representing approximately 12.00% of the issued share capital of the Company as at the date of this announcement. As such, Mr. Ning Hao is a connected person of the Company under the Listing Rules and the transaction contemplated under the Director Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Notwithstanding that Hainan Ruri Fangsheng is an Independent Third Party, Hainan Ruri Fangsheng is the film production company proposed by Mr. Ning Hao to provide the Film Production Services to the Company in relation to the Film, and the Board noted that Hainan Ruri Fangsheng and Mr. Ning Hao will enter into a consultancy agreement, pursuant to which Mr. Ning Hao will provide consultancy services to Hainan Ruri Fangsheng in relation to the production of the Film, to the effect that Mr. Ning Hao will have significant influence over Hainan Ruri Fangsheng in relation to the production of the Film. In view of the above, the transactions contemplated under the Agreements are aggregated and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the Agreements and the transactions contemplated thereunder. As at the date of the Agreements, Pacific Wits, a company wholly-owned by Mr. Ning Hao, holds 438,625,528 Shares, representing approximately 12.00% of the issued share capital of the Company as at the date of this announcement. As a result of the relationship between Pacific Wits and Mr. Ning Hao and that between Hainan Ruri Fangsheng and Mr. Ning Hao, Pacific Wits and its associates (if applicable) are regarded as having material interest in the Agreements and are required to abstain from voting on the ordinary resolution(s) in relation to the Agreements at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Agreements. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Agreements; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreements; (iv) other information as required under the Listing Rules; and (v) a notice of the SGM, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, the circular is expected to be despatched by the Company to the Shareholders on or before 31 January 2022.

INTRODUCTION

On 20 December 2021, (i) the Group Companies entered into the Film Production Agreement with Hainan Ruri Fangsheng, pursuant to which Hainan Ruri Fangsheng has conditionally agreed to provide the Film Production Services to the Group Companies in relation to the Film; and (ii) the Company entered into the Director Agreement with Mr. Ning Hao, pursuant to which Mr. Ning Hao has conditionally agreed to act as the director of the Film.

PRINCIPAL TERMS OF THE FILM PRODUCTION AGREEMENT

Principal terms of the Film Production Agreement are set out below:

Date: 20 December 2021

Parties:

- (1) Beijing Huan Jia Xi Media Company Limited*(北京歡十喜文化傳媒有限公司), an indirect wholly-owned subsidiary of the Company;
- (2) Taizhou Huanxi Culture Investment Company Limited*(台州歡喜文化投資有限公司), an indirect wholly-owned subsidiary of the Company; and
- (3) Hainan Ruri Fangsheng Film and Television Culture Communication Company Limited*(海南如日方升影視文化傳播有限公司).

As at the date of the Film Production Agreement, Hainan Ruri Fangsheng is principally engaged in movie production and is owned as to 90% by Mr. Bai Shaowei and 10% by Ms. Ma Yuanyuan. Each of Hainan Ruri Fangsheng and its ultimate beneficial owners is an Independent Third Party.

Subject matter: Hainan Ruri Fangsheng will provide the film production services to the Group Companies in relation to the Film, including but not limited to the services set out below (collectively, the “**Film Production Services**”):

- (1) shooting of the Film;
- (2) location scouting, including arranging the location scouting and other preparatory work of the Film, setting up and finalising the shooting scene;

- (3) coordinating in hiring shooting crew members and assisting in handling immigration procedures relating to the visas of foreign personnel and equipment, etc.;
- (4) providing shooting progress reports to the Group Companies every week;
- (5) providing to the Group Companies all required materials for obtaining the film release permit of the Film and assisting the Group Companies in obtaining such permit;
- (6) being responsible for the safety matters within its scope of duties in relation to the production of the Film; and
- (7) arranging appropriate insurance according to the needs of the production of the Film for no less than the production period of the Film and monitoring the insurable risk.

Production Costs:

The total production costs of the Film are RMB260,789,360 (equivalent to approximately HK\$318,163,000) (the “**Production Costs**”).

The Production Costs shall be paid by the Group Companies to Hainan Ruri Fangsheng as follows:

- (1) as to RMB160,789,360 (equivalent to approximately HK\$196,163,000) within 10 working days after the Film Production Agreement has taken effect (i.e. after the condition precedent to the Film Production Agreement has been fulfilled); and
- (2) as to RMB100,000,000 (equivalent to approximately HK\$122,000,000) within 10 working days after the completion of the shooting of the Film.

Production Fee: After the Film Production Agreement has taken effect, Hainan Ruri Fangsheng has the right to receive a production fee in the sum of RMB20,863,149 (equivalent to approximately HK\$25,453,000) (the “**Production Fee**”). The Production Fee is included in the Production Costs above.

The Production Fee was determined after arm’s length negotiations between the parties with reference to the prevailing market rate of production fees for films of similar nature.

Copyright: Hainan Ruri Fangsheng shall solely own the copyright and derivative product development rights (including but not limited to film rights such as re-shooting, producing the sequel of the Film and using elements in the Film for commercial development, including theme park projects) of the Film and related elements of the Film (including but not limited to graphics, audio and video of character names, character modeling, music, songs, etc.).

If a musician is hired to create music exclusively for the Film, the copyright of the music work (including the copyrights of the song and the lyric and all the rights of the corresponding performances) shall be an inseparable part of the Film and solely owned by Hainan Ruri Fangsheng.

Hainan Ruri Fangsheng shall solely own the copyright of the script of the Film (including but not limited to the creative elaboration, simple outline, character biography, synopsis and unfinished scripts, materials, etc. created during the script creation process).

Distribution rights: The Group Companies shall own the worldwide exclusive distribution rights of the Film through cinema screening, New Media (the distribution rights of the New Media shall follow the provisions regarding New Media as stated in the section headed “Income rights” below), interactive media, audio and video products, television broadcasting, internet communication and currently undeveloped broadcasting and screening media for fifteen (15) years from the first release date of the Film. Such distribution rights shall include the sole distribution and co-distribution of the Film with a third party authorised by the Group Companies.

Income rights:

The Group Companies shall be entitled to all the income derived worldwide from the use of the copyright of the Film, including (i) income from the distribution or rental of the Film in the cinemas or lines of cinemas; and (ii) rights of distribution and sales of the Film and income from the distribution and sales of the Film.

The time limit for the above rights to the distribution and sales of the Film and the proceeds from such distribution and sales shall be fifteen (15) years from the first release date of the Film. After such time limit of fifteen (15) years has expired, the rights to the distribution and sales of the Film and the income from such distribution and sales shall belong to Hainan Ruri Fangsheng.

The Group Companies shall have the exclusive rights to distribute the Film on a global basis through New Media for an income period of fifteen (15) years from the first release date of the Film, including the right to exclusive playback of the Film via New Media on platforms owned by them or third parties authorised by them (the “**New Media Exclusive Rights**”), and the Group Companies shall have the right to transfer the New Media Exclusive Rights to other third parties at their sole discretion. If the Group Companies consider that their New Media Exclusive Rights have been infringed, they shall have the right, and Hainan Ruri Fangsheng (or its designated third party) has fully authorised the Group Companies, to take any legal actions as the Group Companies may consider appropriate in relation to the infringement. Hainan Ruri Fangsheng (or its designated third party) shall also take all necessary actions to cooperate with the Group Companies in accordance with their requirements.

For the avoidance of doubt, within the income period of fifteen (15) years, all the income earned from the New Media (i) via such platforms, including but not limited to those owned by the Group and other parties authorised by the Group Companies; and (ii) through the exercise of the New Media Exclusive Rights by the Group Companies, shall exclusively belong to the Group Companies.

PRINCIPAL TERMS OF THE DIRECTOR AGREEMENT

Principal terms of the Director Agreement are set out below:

Date: 20 December 2021

Parties: (1) The Company; and

(2) Mr. Ning Hao, a non-executive director of the Company and the sole ultimate beneficial owner of Pacific Wits, a substantial shareholder of the Company which holds 438,625,528 Shares, representing approximately 12.00% of the issued share capital of the Company as at the date of this announcement.

Subject Matter: Mr. Ning Hao has conditionally agreed to act as the film director of the Film. The work of film director shall include (but not limited to) pre-production, shooting, post-production, review, submission for approval and promotion of the Film.

Mr. Ning Hao has the right to provide the Company with suggestions for hiring the film production company for the Film, but the Company will make the final decision for hiring.

If either party breaches the Director Agreement and the defaulting party fails to remedy the breach within seven days after being notified by the non-defaulting party, the non-defaulting party is entitled to terminate the performance of its/his obligations under the Director Agreement.

Director Fee: After the Director Agreement has taken effect (i.e. after the condition precedent to the Director Agreement has been fulfilled), Mr. Ning Hao is entitled to a director fee of HK\$30,000,000 (inclusive of all taxes to be incurred) (the “**Director Fee**”), which is included in the Production Costs. The Director Fee shall be payable to Mr. Ning Hao as part of the Production Costs as follows:

(1) as to HK\$18,000,000 (inclusive of all taxes to be incurred), being 60% of the Director Fee, as the first instalment within 10 working days after the Director Agreement has taken effect; and

- (2) as to HK\$12,000,000 (inclusive of all taxes to be incurred), being 40% of the Director Fee, as the second instalment within 10 working days after the completion of the shooting of the Film.

The Director Fee is determined with reference to the prevailing market rates payable to Independent Third Party film directors who are of similar calibre, status, standing and reputation.

CONDITION PRECEDENT TO THE AGREEMENTS

The condition precedent to the Agreements is the approval of the regulatory authorities in Hong Kong and the Independent Shareholders (if required).

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Group is principally engaged in media and entertainment related businesses, including development and investment in film and TV programme rights, as well as operation of an online video platform. The Group intends to produce and invest in different types of films. The development of and investment in the Film are in line with the Group's development in the media and entertainment industry. Taking into account (i) the professionalism and extensive experience of Hainan Ruri Fangsheng's production team and the reasonableness of the amount of the Production Fee payable by the Group to Hainan Ruri Fangsheng pursuant to the Film Production Agreement; and (ii) the reputation of Mr. Ning Hao as a highly successful director in the PRC movie industry, who had directed films, including *Incense* (香火), *Mongolian Ping Pong* (綠草地), *Crazy Stone* (瘋狂的石頭), *Crazy Racer* (瘋狂的賽車), *No Man's Land* (無人區), *Breakup Buddies* (心花路放), *Crazy Alien* (瘋狂的外星人), *My People, My Country* (我和我的祖國) and *My People, My Homeland* (我和我的家鄉), etc., the participation of both Hainan Ruri Fangsheng and Mr. Ning Hao in the Film would be beneficial to the Group's development in the media and entertainment industry. As such, the Directors (excluding the independent non-executive Directors whose views will be given after considering the advice of the Independent Financial Adviser as to the fairness and reasonableness of the terms of the Agreements) consider that the Agreements would be beneficial to the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after considering the advice of the Independent Financial Adviser as to the fairness and reasonableness of the terms of the Agreements) are of the view that the Agreements are in the Company's ordinary and usual course of business and on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY

The Company is a company incorporated in Bermuda with limited liability. It 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 film and TV programme rights, as well as operation of an online video platform.

INFORMATION ABOUT THE FILM

The Film is *Red Carpet* (全民明星), a Chinese comedy film to be directed by Mr. Ning Hao and starring Mr. Andy Lau.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Ning Hao is a non-executive director of the Company and the sole ultimate beneficial owner of Pacific Wits, a substantial shareholder of the Company which holds 438,625,528 Shares, representing approximately 12.00% of the issued share capital of the Company as at the date of this announcement. As such, Mr. Ning Hao is a connected person of the Company under the Listing Rules and the transaction contemplated under the Director Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Notwithstanding that Hainan Ruri Fangsheng is an Independent Third Party, Hainan Ruri Fangsheng is the film production company proposed by Mr. Ning Hao to provide the Film Production Services to the Company in relation to the Film, and the Board noted that Hainan Ruri Fangsheng and Mr. Ning Hao will enter into a consultancy agreement, pursuant to which Mr. Ning Hao will provide consultancy services to Hainan Ruri Fangsheng in relation to the production of the Film, to the effect that Mr. Ning Hao will have significant influence over Hainan Ruri Fangsheng in relation to the production of the Film. In view of the above, the transactions contemplated under the Agreements are aggregated and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the Agreements and the transactions contemplated thereunder. As at the date of the Agreements, Pacific Wits, a company wholly-owned by Mr. Ning Hao, holds 438,625,528 Shares, representing approximately 12.00% of the issued share capital of the Company as at the date of this announcement. As a result of the relationship between Pacific Wits and Mr. Ning Hao and that between Hainan Ruri Fangsheng and Mr. Ning Hao, Pacific Wits and its associates (if applicable) are regarded as having material interest in the Agreements and are required to abstain from voting on the ordinary resolution(s) in relation to the Agreements at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Agreements. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Agreements; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreements; (iv) other information as required under the Listing Rules; and (v) a notice of the SGM, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, the circular is expected to be despatched by the Company to the Shareholders on or before 31 January 2022.

Mr. Ning Hao is regarded as having a material interest in the Agreements and has abstained from voting on the Board resolution(s) approving the Agreements and the transactions contemplated thereunder. Save for the aforesaid, none of the Directors has a material interest in the Agreements and the transactions contemplated thereunder and hence none of them has abstained from voting on the Board resolution(s) approving the Agreements and the transactions contemplated thereunder.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Agreements”	the Film Production Agreement and the Director Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Huanxi Media Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Director Agreement”	the director agreement dated 20 December 2021 entered into between the Company and Mr. Ning Hao
“Director Fee”	as defined in the paragraph headed “Director Fee” under the section headed “Principal Terms of the Director Agreement” in this announcement
“Film”	a film tentatively named as <i>Red Carpet</i> (全民明星)(subject to confirmation in the film release permit)
“Film Production Agreement”	the film production agreement dated 20 December 2021 entered into between the Group Companies and Hainan Ruri Fangsheng
“Group”	the Company and its subsidiaries
“Group Companies”	Huanxi and Taizhou Huanxi
“Hainan Ruri Fangsheng”	海南如日方升影視文化傳播有限公司(Hainan Ruri Fangsheng Film and Television Culture Communication Company Limited*), a company established in the PRC with limited liability and is principally engaged in movie production
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huanxi”	北京歡十喜文化傳媒有限公司(Beijing Huan Jia Xi Media Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder

“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than those who are required by the Listing Rules to abstain from voting on the resolution(s) relating to the transactions contemplated under the Agreements
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Media”	all forms of global media other than traditional cinema, including but not limited to the Internet, broadband, mobile Internet technologies, etc., such as web video, video applications for mobile phones, tablets and computers, Internet TV, IPTV, future media applications, satellite, cable, free and paid TV media, audiovisual products and audio and video equipment or other terminal equipment in Internet cafes, hotels, aircraft, trains and cars
“Pacific Wits”	Pacific Wits Limited (泰穎有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ning Hao, a non-executive director of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 for the purpose of considering and, if thought fit, approving the Agreements and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Taizhou Huanxi”	台州歡喜文化投資有限公司(Taizhou Huanxi Culture Investment Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“working day”	a day other than (i) Saturday, Sunday or a public holiday in the PRC; or (ii) one on which banks are closed for general banking business in the PRC

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

Hong Kong, 20 December 2021

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.22. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this 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.