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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)**

**ANNOUNCEMENT**  
**FRAMEWORK AGREEMENT IN RESPECT OF PROPOSED**  
**STRATEGIC COOPERATION BETWEEN GRACEFUL,**  
**A SUBSIDIARY OF HUANXI,**  
**AND MUBI**

This announcement is made by Huanxi pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 13 January 2016, Graceful, an indirect wholly-owned subsidiary of Huanxi, entered into a Framework Agreement with MUBI in relation to a strategic cooperation to be implemented through a series of transactions, including Graceful's (and/or its designated affiliate(s)'s) proposed strategic investment in, and joint venture with, MUBI.

Subject to the terms and conditions of the Framework Agreement, Graceful (and/or its designated affiliate(s)) will (1) make a US\$10,000,000 strategic investment in MUBI by subscribing for new stock in MUBI representing 8% of the issued capital stock of MUBI; and (2) establish a joint venture with MUBI in connection with the provision of online video services including the acquisition of rights to, and distribution online of, movies and videos (through cooperation with one or more licensed platform operators) to consumers in the Greater China market which will involve (a) the contribution by Graceful of US\$40,000,000 cash to the Joint Venture Entity for 70% of the issued share capital of the Joint Venture Entity; (b) the contribution by MUBI by way of license of its intellectual property into the Joint Venture Entity, for 30% of the issued share capital of the Joint Venture Entity, and (c) the provision of certain technical and operational services by MUBI to the Joint Venture Entity. A share option plan as an incentive program for the management team of the Joint Venture Entity will be established after the Closing based on mutual agreement between the parties.

\* *for identification purpose only*

**Shareholders and potential investors of Huanxi should be aware that the Proposed Transactions are subject to the satisfaction of various conditions precedent, and also to the parties agreeing on the terms of, and entering into, final Definitive Transaction Documents. There is no assurance that the Proposed Transactions will proceed or complete.** The Proposed Transactions, if they should proceed and Definitive Transaction Documents are entered into, may constitute notifiable transaction(s) for Huanxi under Chapter 14 of the Listing Rules. Huanxi will comply with the disclosure and/or shareholder's approval requirements of the Listing Rules as applicable. Further announcement(s) will be made by Huanxi in accordance with the Listing Rules as and when appropriate. **Shareholders and potential investors of Huanxi should therefore exercise caution when dealing in the shares of Huanxi.**

This announcement is made by Huanxi pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

## **FRAMEWORK AGREEMENT**

On 13 January 2016, Graceful entered into a Framework Agreement with MUBI in relation to a strategic cooperation to be implemented through a series of transactions, including Graceful's (and/or its designated affiliate(s)'s) proposed strategic investment in, and joint venture with, MUBI as further detailed below.

Subject to the terms and conditions set forth in the Framework Agreement, Graceful (and/or its designated affiliate(s)) will (1) make a US\$10,000,000 strategic investment in MUBI by the subscription of new stocks in MUBI representing 8% of the issued capital stock of MUBI (the "**Strategic Investment**"); and (2) establish a joint venture with MUBI in connection with the provision of online video services including the acquisition of rights to, and distribution online of, movies and videos (through cooperation with one or more licensed platform operators) to consumers in the Greater China market (the "**Joint Venture**") which will involve (a) the contribution by Graceful of US\$40,000,000 cash to the Joint Venture Entity for 70% of the issued share capital of the Joint Venture Entity; (b) the contribution by MUBI by way of license of its intellectual property into the Joint Venture Entity, for 30% of the issued share capital of the Joint Venture Entity, and (c) the provision of certain technical and operational services by MUBI to the Joint Venture Entity. A share option plan as an incentive program for the management team of the Joint Venture Entity will be established after the Closing based on mutual agreement between the parties.

Set out below are the principal terms of the Framework Agreement.

### **Proposed Strategic Investment Documents**

To effect the Strategic Investment, subject to the parties agreeing on the terms of the Strategic Investment Documents, each of Graceful and MUBI have agreed to enter into the Strategic Investment Documents when such documents have been agreed and finalized.

### **Proposed Joint Venture Documents**

To effect the Joint Venture, subject to the parties agreeing on the terms of the Joint Venture Documents, each of Graceful and MUBI (and if applicable, their relevant affiliate(s)) have agreed to enter into the Joint Venture Documents when such documents have been agreed and finalized.

### **Proposed Joint Venture – Further Details**

The Joint Venture Documents will include a shareholders' agreement to be agreed and entered into between Graceful and MUBI (and if applicable, their relevant affiliate(s)), which will provide for the following:

- i. the Joint Venture Entity will have three board seats, with Graceful having two board seats and MUBI having one board seat;
- ii. the Joint Venture Entity will be structured to enable the Joint Venture Entity to be consolidated with Huanxi for accounting purposes;
- iii. the management team of the Joint Venture Entity will be appointed by Graceful in consultation with MUBI;
- iv. the Joint Venture Entity will be responsible for financing its business operation and expansion;
- v. in the event of any future equity issuance by the Joint Venture Entity, MUBI's shareholding percentage will not be reduced below 10% unless the equity issuance meets certain specified valuation thresholds;
- vi. certain transfer restrictions for a period of three-year from the Closing Date in respect of MUBI's shareholding in the Joint Venture Entity; and
- vii. certain customary protective provisions for the minority shareholders of the Joint Venture Entity as may be agreed by the parties to the shareholders' agreement.

### **Due Diligence**

Graceful is conducting a due diligence review of the assets, liabilities, business, operations and condition (financial, legal or otherwise) of MUBI, including a review of legal, financial, accounting, tax and regulatory matters.

## **Conditions Precedent**

The Proposed Transactions will be subject to the satisfaction or waiver of certain closing conditions, including:

- i. each of Graceful and MUBI having obtained the necessary corporate approvals to execute the Framework Agreement and the Definitive Transaction Documents;
- ii. Graceful being satisfied with the results of the due diligence on MUBI;
- iii. no governmental order or other laws, or legal restraint or prohibition, having been issued to prevent the consummation of the Proposed Transactions in any material respect;
- iv. each of the representations and warranties of Graceful and MUBI set forth in the Framework Agreement, and that will be contained in the Definitive Transaction Documents, being true and correct as of the Closing Date;
- v. each of the Definitive Transaction Documents having been validly executed and being in full force and effect as of the Closing Date; and
- vi. MUBI having attended to certain specified organization-related matters including the appointment of the designee of Graceful to the board of directors of MUBI.

## **Longstop Date**

The Framework Agreement may be terminated at any time prior to the Closing by either Graceful or MUBI, if the Closing shall not have occurred on or prior to the Longstop Date (which is 31 December 2016), provided that the Longstop Date shall be automatically extended by 60 days if all of the conditions precedent set forth above are satisfied as of 31 December 2016.

## **REASONS FOR, AND BENEFITS OF, THE PROPOSED TRANSACTIONS**

MUBI operates a curated online video-on-demand platform available to subscribers on multiple devices and operating systems including from MUBI.com through PCs and Macs, as well as on Android and iOS mobile operating systems, Apple TV, PlayStation, Android TV, Amazon Fire TV and Chromecast. Established in 2007 and originally called “The Auteurs”, the service currently focuses on international arthouse cinema. Headquartered in London, England, MUBI also has operations in San Francisco and New York, USA.

Huanxi is currently engaged in the media and entertainment business, advertising agency business, as well as property agency and securities trading and investment business. The Proposed Transactions would enable Huanxi to acquire a minority interest in MUBI's current operations and enable Huanxi and MUBI to partner together in connection with the provision (through cooperation with one or more licensed platform operators) of online video services catering to consumers in the Greater China market. Moreover, the Proposed Transactions are in line with Huanxi's further development of its business in the advertising, media and entertainment space. The Board considers that the Proposed Transactions would be beneficial to Huanxi, as the Proposed Transactions represent a key step forward in the implementation of Huanxi's development plan as set out in Huanxi's circular dated 5 August 2015.

Further details with respect to the parties' plans and strategy in the Greater China market will be disclosed as the Proposed Transactions progress.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Graceful is an indirect wholly-owned subsidiary of Huanxi. The Proposed Transactions, if they materialize, may constitute notifiable transaction(s) for Huanxi under Chapter 14 of the Listing Rules.

## **GENERAL**

**Shareholders and potential investors of Huanxi should be aware that the Proposed Transactions are subject to the satisfaction of various conditions precedent, and also to the parties agreeing on the terms of, and entering into, final Definitive Transaction Documents. There is no assurance that the Proposed Transactions will proceed or complete.**

The Proposed Transactions, if they should proceed and Definitive Transaction Documents are entered into, may constitute notifiable transaction(s) for Huanxi under Chapter 14 of the Listing Rules. Huanxi will comply with the disclosure and/or shareholder's approval requirements of the Listing Rules as applicable. Further announcement(s) will be made by Huanxi in accordance with the Listing Rules as and when appropriate. **Shareholders and potential investors of Huanxi should therefore exercise caution when dealing in the shares of Huanxi.**

## **DEFINITIONS**

“Board”	The board of directors of Huanxi.
“Closing”	The closing of the Proposed Transactions on terms, and subject to the conditions, set forth in the Framework Agreement and as will be set forth in the Definitive Transaction Documents.
“Closing Date”	The date on which Closing occurs.

“Definitive Transaction Documents”	The Strategic Investment Documents and the Joint Venture Documents.
“Framework Agreement”	The Framework Agreement entered into between Graceful and MUBI on 13 January 2016.
“Greater China”	PRC, Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.
“Graceful”	Graceful View Holdings Limited, a company incorporated in the British Virgin Islands, an indirect wholly-owned subsidiary of Huanxi.
“Huanxi”	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).
“Joint Venture”	The proposed establishment of a joint venture between Graceful (and/or its designated affiliate(s)) and MUBI in connection with the provision of online video services including the acquisition of rights to, and distribution online of, movies and videos (through cooperation with one or more licensed platform operators) to consumers in the Greater China, as further detailed in this announcement (and in the sub-section headed “ <i>Framework Agreement – Proposed Joint Venture– Further Details</i> ” in particular).
“Joint Venture Documents”	The definitive agreements and documents relating to the Joint Venture in form and substance acceptable to the parties therein.
“Joint Venture Entity”	The company or other entity established for the Joint Venture.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
“Longstop Date”	December 31, 2016.
“MUBI”	MUBI, Inc., a corporation incorporated under the laws of the State of Delaware, United States of America.
“PRC”	The People’s Republic of China.

“Proposed Transactions”	The Strategic Investment and the Joint Venture.
“Strategic Investment”	The proposed subscription of 8% of the issued capital stock of MUBI as further described in this announcement.
“Strategic Investment Documents”	The definitive agreements and documents relating to the Strategic Investment in form and substance acceptable to the parties thereto.

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

Hong Kong, 13 January 2016

*As at the date of this announcement, 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.*