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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)

**MINIMUM GUARANTEED DISTRIBUTION AGREEMENT
IN RELATION TO INVESTMENT IN FILM RIGHTS**

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

On 5 July 2018 (after trading hours), Huan Huan Xi Xi (an indirect wholly-owned subsidiary of the Company) entered into a Minimum Guaranteed Distribution Agreement with the minimum guarantor in relation to the film *Crazy Alien* (“瘋狂的外星人”), where the minimum guarantor shall have the exclusive right to distribute the film *Crazy Alien* (“瘋狂的外星人”) through cinema circuits and cinemas in cities located in the PRC and the region of Hong Kong, Macau and Taiwan, from the effective date of the Minimum Guaranteed Distribution Agreement to the expiry of the tenth anniversary of the first release date of the Film in the Authorised Regions. Pursuant to the Minimum Guaranteed Distribution Agreement, both parties agreed the Minimum Guaranteed Amount be RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), the Group shall have the right to receive a guaranteed minimum distribution income of RMB700,000,000 (equivalent to approximately HK\$833,700,000) in relation to the film *Crazy Alien* (“瘋狂的外星人”); in the event that the Gross Box Office Receipts of the Film are higher than RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), in addition to the aforementioned consideration, the parties may distribute the excess in proportion to the net income of the Film: being 30% for the investor and 70% for the minimum guarantor.

* For identification purposes only

In addition, as a part of the Minimum Guaranteed Distribution Agreement, the minimum guarantor shall be responsible for and bear relevant expenses for the promotion, marketing and distribution of the Film, while the estimated promotion and distribution expenses of RMB200,000,000 (equivalent to approximately HK\$238,200,000) shall be borne by the minimum guarantor. Regardless of whether the Gross Box Office Receipts of the Film are higher or lower than RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), the investor shall not bear the promotion and distribution expenses, or the service fees for distribution agents incurred by the minimum guarantor in relation to the Film. The Film is preliminarily set to be officially released in cinema circuits and cinemas in the PRC in February 2019.

After signing the Minimum Guaranteed Distribution Agreement, the Group will continue to retain other rights attached to the film *Crazy Alien* (“瘋狂的外星人”), including income generated from its benefits in relation to the Film, including the distribution right in other overseas cinema circuits and cinemas, as well as the New Media Broadcasting Right in the PRC and overseas.

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

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 5 July 2018 (after trading hours), Huan Huan Xi Xi (an indirect wholly-owned subsidiary of the Company) entered into a Minimum Guaranteed Distribution Agreement with the minimum guarantor in relation to the film *Crazy Alien* (“瘋狂的外星人”), pursuant to which, both parties agreed the Minimum Guaranteed Amount be RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), the Group shall receive a guaranteed distribution income from cinema circuits and cinemas at a minimum amount of RMB700,000,000 (equivalent to approximately HK\$833,700,000). Principal terms of the Minimum Guaranteed Distribution Agreement are set out below:

MINIMUM GUARANTEED DISTRIBUTION AGREEMENT

Date: 5 July 2018 (after trading hours)

Parties: (1) Huan Huan Xi Xi (the “investor”)
(2) Horgosle Le Kai Hua (the “minimum guarantor”)

To the best of the Board’ knowledge, information and belief, having made all reasonable enquiries, as at the date of the Minimum Guaranteed 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 Minimum Guaranteed Distribution Agreement, the minimum guarantor shall undertake minimum-guaranteed distribution for the film *Crazy Alien* (“瘋狂的外星人”), a film in progress exclusively invested by the Group. The minimum guarantor shall have the exclusive right to distribute the film *Crazy Alien* (“瘋狂的外星人”) through cinema circuits and cinemas in cities located in the PRC and the region of Hong Kong, Macau and Taiwan, from the effective date of the Minimum Guaranteed Distribution Agreement to the expiry of the tenth anniversary of the first release date of the Film in the Authorised Regions. The minimum guarantor shall be responsible for and bear relevant expenses for the promotion, marketing and distribution of the Film, while the estimated promotion and distribution expenses of RMB200,000,000 (equivalent to approximately HK\$238,200,000) shall be borne by the minimum guarantor.

CONSIDERATION AND RECEIPT TERMS

Pursuant to the Minimum Guaranteed Distribution Agreement, in the event that the Gross Box Office Receipts of the Film are lower than RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), the consideration for the guaranteed distribution income from the Film is RMB700,000,000 (equivalent to approximately HK\$833,700,000), which shall be paid in cash by the minimum guarantor to Huan Huan Xi Xi in the following manner:

- (i) RMB350,000,000 (equivalent to approximately HK\$416,850,000) shall be paid within 15 Business Days after signing the Minimum Guaranteed Distribution Agreement;
- (ii) RMB175,000,000 (equivalent to approximately HK\$208,425,000) shall be paid within 15 Business Days after Huan Huan Xi Xi has provided the minimum guarantor with the *Permit for Public Projection of Film* (電影片公映許可證) and *Technological Qualification for Digital Film* (數字電影技術合格證) of the Film;

- (iii) RMB87,500,000 (equivalent to approximately HK\$104,212,500) shall be paid prior to 3 Business Days before the first release date of the Film; and
- (iv) the remaining RMB87,500,000 (equivalent to approximately HK\$104,212,500) shall be paid within 7 Business Days after the first release date of the Film.

In the event that the Gross Box Office Receipts of the Film are higher than RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), in addition to the aforementioned consideration, the parties may distribute the excess in proportion to the net income of the Film: being 30% for the investor and 70% for the minimum guarantor. The minimum guarantor shall distribute and pay the film net income to the investor within 10 Business Days after the film distribution income is deposited into its account. The film net income shall be calculated as follows:

Film net income in the PRC = Gross Box Office Receipts in the PRC – (less) Amounts Payable to the National Film Industry Development Special Fund – (less) Value-added Tax and Surcharges – (less) Box Office Receipts Shared by Cinemas and Cinema Circuits – (less) settlement agency fees

Film net income in the region of Hong Kong, Macau and Taiwan = Gross Box Office Receipts in the region of Hong Kong, Macau and Taiwan – (less) Value-added Tax and Surcharges (if any) – (less) Box Office Receipts Shared by Cinemas and Cinema Circuits – (less) settlement agency fees

Regardless of whether the Gross Box Office Receipts of the Film are higher or lower than RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), the investor shall not bear the promotion and distribution expenses, or the service fees for distribution agents incurred by the minimum guarantor in relation to the Film. The Film is preliminarily set to be officially released in cinema circuits and cinemas in the PRC in February 2019.

After signing the Minimum Guaranteed Distribution Agreement, the Group will continue to retain other rights attached to the film *Crazy Alien* (“瘋狂的外星人”), including income generated from its benefits in relation to the Film, including the distribution right in other overseas cinema circuits and cinemas, as well as the New Media Broadcasting Right in the PRC and overseas.

The Directors are of the view that determination of the consideration and the above receipt terms are entered into on normal commercial terms, they are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

COMPLETION

Completion of the Minimum Guaranteed Distribution Agreement shall take place when the investor has procured release of the film *Crazy Alien* (“瘋狂的外星人”) in cinema circuits and cinemas in cities located in the PRC, and the minimum guarantor has paid the consideration in full.

INFORMATION ON THE COMPANY AND HUAN HUAN XI XI

The Company is an investment holding company and its subsidiaries are principally engaged in media and entertainment and related businesses and other businesses. Huan Huan Xi Xi is a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company, it is primarily engaged in investment in TV and film rights.

INFORMATION ON THE MINIMUM GUARANTOR

Horgosle Le Kai Hua is a company incorporated under the laws of the PRC, which is primarily engaged in the films and TV entertainment production investment.

FINANCIAL EFFECT OF THE MINIMUM GUARANTEED DISTRIBUTION AGREEMENT

The Group is expected to record at least an unaudited profit before tax of approximately RMB300,000,000 (equivalent to approximately HK\$357,300,000) for the minimum-guaranteed distribution of the film *Crazy Alien* (“瘋狂的外星人”) (after taking into account the consideration of minimum-guaranteed distribution and expected costs of the Film, but not including the Group’s future income of the Film generated from its distribution right in other overseas cinema circuits and cinemas, as well as the New Media Broadcasting Right in the PRC and overseas).

Amounts to be received by the Group under the Minimum Guaranteed Distribution Agreement shall first be included in receipts in advance of the Group’s balance sheet within the 2018 account, and subsequently in income of the Group’s balance sheet following completion of the Minimum Guaranteed Distribution Agreement in February 2019.

REASONS FOR AND BENEFITS OF THE MINIMUM GUARANTEED DISTRIBUTION AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in media and entertainment and related businesses and other businesses.

Minimum-guaranteed distribution is a common distribution arrangement in the film industry. Through the Minimum Guaranteed Distribution Agreement, the minimum guarantor will give the Group a promise for the box office of the film *Crazy Alien* (“瘋狂的外星人”) at a reasonable consideration acceptable to both parties (being the guaranteed income of RMB700,000,000 (equivalent to approximately HK\$833,700,000), together with the estimated

promotion and distribution expenses of RMB200,000,000 (equivalent to approximately HK\$238,200,000)); and the Group will in turn grant the distribution right of the Film within the Authorised Regions to the minimum guarantor. Even if the actual Gross Box Office Receipts fell short of the minimum-guaranteed box office of RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), the minimum guarantor would still need to pay RMB700,000,000 (equivalent to approximately HK\$833,700,000) to the Group and bear the promotion and distribution expenses. Therefore, the Group will be able to eliminate risks associated with the Film project's box office receipts, recover the investment cost and secure considerable profit in relation to the Film project, while retaining part of the income rights to the Film project's box office in excess of RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000). An early obtainment of revenue associated with the Film will enable the Group to invest in other film and drama 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 Minimum Guaranteed 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 interest of the Company and its Shareholders as a whole.

DEFINITIONS

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

“Amounts Payable to the National Film Industry Development Special Fund”	calculated based on Gross Box Office Receipts in the PRC × (multiply by) 5%
“Authorised Regions”	the PRC and the region of Hong Kong, Macau and Taiwan
“Board”	the board of Directors
“Box Office Receipts Shared by Cinemas and Cinema Circuits”	Box Office Receipts shared by the cinemas and cinema circuits projecting the target media project, in the proportion (i.e. approximately 50–60%) as determined in the Distribution and Revenue Sharing Contract (after deduction of Amounts Payable to the National Film Industry Development Special Fund (if any), Value-added Tax and Surcharges)
“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 in the Listing Rules
“Director(s)”	the director(s) of the Company
“Film”	the film <i>Crazy Alien</i> (“瘋狂的外星人”), a film in progress exclusively invested by the Group, whose estimated cost is approximately RMB400,000,000 (equivalent to approximately HK\$476,400,000)
“Gross Box Office Receipts”	the aggregate box office generated by cinemas in the PRC and the region of Hong Kong, Macau and Taiwan through projection of the film <i>Crazy Alien</i> (“瘋狂的外星人”), 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
“Hong Kong, Macau and Taiwan”	Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Horgosle Le Kai Hua”	Horgosle Le Kai Hua Film Company Limited* (霍爾果斯樂開花影業有限公司), a company incorporated under the laws of the PRC, which is primarily engaged in the films and TV entertainment production investment
“Huan Huan Xi Xi”	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
“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

“Minimum Guaranteed Amount”	the guaranteed Gross Box Office Receipts of the Film is RMB2,800,000,000 (equivalent to approximately HK\$3,334,800,000), no matter the final Gross Box Office Receipts is lower or higher than this amount, the Group is entitled to receive a guaranteed distribution income from cinema circuits and cinemas at a minimum amount of RMB700,000,000 (equivalent to approximately HK\$833,700,000)
“Minimum Guaranteed Distribution Agreement”	the minimum guaranteed distribution agreement entered into between the Company and the minimum guarantor on 5 July 2018 in relation to the minimum-guaranteed distribution of the film <i>Crazy Alien</i> (“瘋狂的外星人”)
“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 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
“PRC”	The People’s Republic of China, for the purposes of this announcement, excluding Hong Kong and the Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Value-added Tax and Surcharges”	calculated in accordance with tax policies in relevant jurisdictions, which amounts to approximately 3.3% of box office receipts based on national tax policy of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 5 July 2018

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 HK\$1.191 equal to RMB1.00. 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 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.