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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 A FILM**

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

On 7 November 2019 (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 *Lost in Russia* (“囧媽”), where the minimum guarantor shall have the exclusive right to distribute the Film through cinema circuits and cinemas in cities located in the PRC and the regions 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 which, both parties agreed the Minimum Guaranteed Box Office shall be RMB2,400,000,000 (equivalent to approximately HK\$2,666,667,000), the minimum guarantor shall pay a consideration for minimum guaranteed distribution of at least RMB600,000,000 (equivalent to approximately HK\$666,667,000); in the event that the actual Gross Box Office of the Film is higher than the Minimum Guaranteed Box Office, in addition to the aforementioned consideration for minimum guaranteed distribution, the parties may distribute the excess portion of the Minimum Guaranteed Box Office in proportion to the net income of the Film: being 35% for Huan Huan Xi Xi and 65% for the minimum guarantor.

\* For identification purposes only

In addition, as a part of the Minimum Guaranteed Distribution Agreement, the minimum guarantor shall bear the estimated promotion and distribution expenses of RMB150,000,000 (equivalent to approximately HK\$166,667,000). Regardless of whether the actual Gross Box Office of the Film reaches the Minimum Guaranteed Box Office or not, Huan Huan Xi Xi 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 January 2020.

After signing the Minimum Guaranteed Distribution Agreement, the Group will continue to retain other rights attached to the Film, including all income generated from its benefits in relation to the Film, including all distribution rights in other overseas cinema circuits and cinemas, as well as the global New Media Broadcasting Right.

**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 7 November 2019 (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 *Lost in Russia* (“囧媽”), pursuant to which, both parties agreed the Minimum Guaranteed Box Office shall be RMB2,400,000,000 (equivalent to approximately HK\$2,666,667,000), the minimum guarantor shall pay a consideration for minimum guaranteed distribution of at least RMB600,000,000 (equivalent to approximately HK\$666,667,000). Principal terms of the Minimum Guaranteed Distribution Agreement are set out below:

## MINIMUM GUARANTEED DISTRIBUTION AGREEMENT

Date: 7 November 2019 (after trading hours)

Parties: (1) Huan Huan Xi Xi  
(2) Hengdian Film (the “**minimum guarantor**”)

To the best of the Board's 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 *Lost in Russia* (“囧媽”), a film in progress exclusively invested by the Group. The minimum guarantor shall have the exclusive right to distribute the Film through cinema circuits and cinemas in cities located in the PRC and the regions 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 bear the estimated promotion and distribution expenses of RMB150,000,000 (equivalent to approximately HK\$166,667,000).

### **CONSIDERATION FOR MINIMUM GUARANTEED DISTRIBUTION AND RECEIPT TERMS**

Pursuant to the Minimum Guaranteed Distribution Agreement, in the event that the actual Gross Box Office of the Film is equal to or lower than the Minimum Guaranteed Box Office, the consideration for minimum guaranteed distribution of the Film is RMB600,000,000, which shall be paid in cash by the minimum guarantor to Huan Huan Xi Xi in the following manner after signing of the Minimum Guaranteed Distribution Agreement:

- (i) RMB300,000,000 (equivalent to approximately HK\$333,334,000) shall be paid before obtaining *Permit for Public Projection of Films* (電影公映許可證) for the Film;
- (ii) RMB100,000,000 (equivalent to approximately HK\$111,111,000) shall be paid within 7 Business Days after obtaining *Permit for Public Projection of Films* (電影公映許可證) for the Film; and
- (iii) RMB200,000,000 (equivalent to approximately HK\$222,222,000) shall be paid within 30 Days after the first release date of the Film in cinema circuits in the PRC.

In the event that the actual Gross Box Office of the Film is higher than the Minimum Guaranteed Box Office, in addition to the aforementioned consideration for minimum guaranteed distribution, the parties may distribute the excess portion of the Minimum Guaranteed Box Office in proportion to the net income of the Film: being 35% for Huan Huan Xi Xi and 65% for the minimum guarantor. The minimum guarantor shall distribute the film net income to Huan Huan Xi Xi within 15 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 in the PRC – (less) Amounts Payable to the National Film Industry Development Special Fund – (less) Value-added Tax and Surcharges – (less) Box Office Shared by Cinemas and Cinema Circuits – (less) settlement agency fees

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

Regardless of whether the actual Gross Box Office of the Film reaches the Minimum Guaranteed Box Office or not, Huan Huan Xi Xi 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 January 2020.

After signing the Minimum Guaranteed Distribution Agreement, the Group will continue to retain other rights attached to the Film, including all income generated from its benefits in relation to the Film, including all distribution rights in other overseas cinema circuits and cinemas, as well as the global New Media Broadcasting Right.

The Directors are of the view that determination of the consideration for the minimum guaranteed distribution 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 Huan Huan Xi Xi has procured release of the Film in cinema circuits and cinemas in cities located in the PRC in January 2020, and the minimum guarantor has paid the consideration for the minimum guaranteed distribution in full.

## **INFORMATION ON THE COMPANY AND HUAN HUAN XI XI**

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

## **INFORMATION ON THE MINIMUM GUARANTOR**

Hengdian Film is a company incorporated under the laws of the PRC, which is primarily engaged in the films and TV entertainment related businesses.

## **FINANCIAL EFFECT OF THE MINIMUM GUARANTEED DISTRIBUTION AGREEMENT**

The consideration for minimum guaranteed distribution to be received by the Group under the Minimum Guaranteed Distribution Agreement shall first be included in receipts in advance of the Group's statement of financial position within the 2019 account and subsequently together with the cost of the Film in revenue and cost of the Group's statement of profit or loss respectively within the 2020 account following completion of the Minimum Guaranteed Distribution Agreement in the first half of 2020. The Group currently owns the global distribution rights and all income rights in relation to the Film, but is in the process of selling no more than 30% of the Film's income rights for the box office in cinema circuits and cinemas in the PRC to an Independent Third Party.

## **REASONS FOR AND BENEFITS OF THE MINIMUM GUARANTEED DISTRIBUTION AGREEMENT**

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

Minimum guaranteed distribution is a common distribution arrangement in the film industry. Through the Minimum Guaranteed Distribution Agreement, the minimum guarantor promises that regardless of whether the actual Gross Box Office reaches the Minimum Guaranteed Box Office of RMB2,400,000,000 or not, the minimum guarantor would still need to pay consideration for minimum guaranteed distribution of at least RMB600,000,000 and bear the promotion and distribution expenses in order to obtain the distribution rights of the Film in the Authorised Regions. Therefore, the Group will be able to eliminate risks associated with the Film's box office, recover the investment cost in advance and secure considerable profit in relation to the Film project, while retaining part of the income rights for the portion of the Film's box office in excess of the Minimum Guaranteed Box Office. An early obtainment of revenue associated with the Film will enable the Group to invest in other film and TV programme 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 interests of the Company and its Shareholders as a whole.

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

## **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”	the amounts calculated based on Gross Box Office in the PRC × (multiply by) 5%
“Authorised Regions”	the PRC and the regions of Hong Kong, Macau and Taiwan
“Board”	the board of Directors
“Box Office Shared by Cinemas and Cinema Circuits”	Box Office shared by the cinemas and cinema circuits projecting the Film, 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 under the Listing Rules
“Director(s)”	the director(s) of the Company
“Film”	the film <i>Lost in Russia</i> (“囧媽”), a film in progress exclusively invested by the Group, whose estimated total cost is approximately RMB350,000,000 (equivalent to approximately HK\$388,889,000)

“Gross Box Office”	the aggregate box office generated by cinemas in the PRC and the regions of Hong Kong, Macau and Taiwan through projection of the Film, which is calculated based on relevant information provided and confirmed by receipts issued by cinemas and cinema circuits
“Group”	the Company and its subsidiaries
“Hengdian Film”	Zhejiang Hengdian Film Industry Co., Ltd* (浙江橫店影業有限公司), a company incorporated under the laws of the PRC, which is primarily engaged in the films and TV entertainment related businesses
“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
“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 Box Office”	the guaranteed Gross Box Office of the Film is RMB2,400,000,000, regardless of whether the final Gross Box Office reaches this amount or not, the minimum guarantor would still need to pay the consideration for minimum guaranteed distribution of at least RMB600,000,000 and bear the estimated promotion and distribution expenses of RMB150,000,000
“Minimum Guaranteed Distribution Agreement”	the minimum guaranteed distribution agreement entered into between Huan Huan Xi Xi and the minimum guarantor on 7 November 2019 in relation to the minimum guaranteed distribution of the film <i>Lost in Russia</i> (“囧媽”)

“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 web video, cellphone video application, Tablet Personal Computer video application, Personal Computer video application, internet television, IPTV (Internet Protocol Television), future media applications, satellites, cable televisions, television media (free or paid), audio-visual products, audio and through 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, excludes 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 ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Value-added Tax and Surcharges”	calculated in accordance with tax policies in relevant jurisdictions, which amount to approximately 3.3% of box office in the PRC 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, 7 November 2019



*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\$1.00 equal to RMB0.90. 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 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.*