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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)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The board of directors (the “Board”) of Huanxi Media Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015, together with comparative figures for the year ended 31 December 2014, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Revenue	4	266,913	203,803
Cost of sales and service rendered		(219,322)	(173,732)
Gross profit		47,591	30,071
Investment and other income	6	6,888	1,712
Other losses	7	(4,351)	(2,322)
Selling and distribution costs		(921)	(4,170)
Administrative expenses		(47,361)	(34,756)
Share-based payments	17(c)	(81,000)	–
Impairment loss on goodwill		(4,395)	(1,219)
Finance costs	8	(617)	(2,112)
Loss before tax		(84,166)	(12,796)
Income tax expense	9	(8,630)	(348)
Loss for the year	10	(92,796)	(13,144)

* *for identification purpose only*

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operation		<u>(6,820)</u>	<u>(1,055)</u>
Total comprehensive expense for the year		<u>(99,616)</u>	<u>(14,199)</u>
Loss for the year attributable to owners of the Company		<u>(92,796)</u>	<u>(13,144)</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(99,616)</u>	<u>(14,199)</u>
Loss per share			
– Basic (HK dollar)	<i>12</i>	<u>(0.08)</u>	<u>(0.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,826	910
Loan receivable	<i>13</i>	–	80,000
Goodwill		–	4,395
		<hr/>	<hr/>
		1,826	85,305
CURRENT ASSETS			
Trade and other receivables	<i>14</i>	257,356	155,759
Film rights investment		13,925	–
Investments held for trading	<i>15</i>	55,580	–
Bank balances and cash		726,598	231,917
		<hr/>	<hr/>
		1,053,459	387,676
CURRENT LIABILITIES			
Trade and other payables	<i>16</i>	55,243	129,399
Loan payable		–	6,000
Tax payable		9,926	1,472
		<hr/>	<hr/>
		65,169	136,871
NET CURRENT ASSETS			
		<hr/>	<hr/>
		988,290	250,805
NET ASSETS			
		<hr/>	<hr/>
		990,116	336,110
CAPITAL AND RESERVES			
Share capital	<i>17</i>	23,086	5,771
Reserves		967,030	330,339
		<hr/>	<hr/>
TOTAL EQUITY			
		<hr/>	<hr/>
		990,116	336,110
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company.

Pursuant to a special resolution passed at the special general meeting of the Company held on 28 August 2015, the shareholders of the Company approved to change the Company’s name from “21 Holdings Limited” to “Huanxi Media Group Limited”. The change of the Company’s name became effective on 22 September 2015.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs (hereinafter collectively referred to as the “amendments to HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Film rights investment income net of tax	217,701	–
Property agency commission and service income in Hong Kong and the People's Republic of China (the "PRC")	49,212	198,826
Franchise income	–	4,977
	<u>266,913</u>	<u>203,803</u>

During the year, the Group entered into agreements with 北京真樂道文化傳播有限公司 ("北京真樂道"), a company in which Mr. Xu Zheng ("Mr. Xu"), a non-executive director of the Company, has beneficial interest, to acquire at a consideration of RMB150,000,000 (equivalent to HK\$184,615,000) film rights, whereby the Group can share 47.5% box office sales income from exhibition in movie theatres less taxes and other governmental charges, deduction by movie theatres, payment for industrial development fund as well as other payment in relation to production and distribution of the film.

The amount of RMB188,173,000 (equivalent to HK\$231,597,000) represented the share of such net box office sales income from exhibition in movie theatres including tax, and the respective film rights investment cost was recognised as cost of sales accordingly.

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments, based on information provided to the chief operating decision maker ("CODM") representing the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

Following the acquisition of the entire equity interest in Sinofocus Media (Holdings) Limited ("Sinofocus Media"), the Group engages in film rights investment and provision of advertising agency services and the Group's operations are currently organised into three operating and reportable segments as follows:

Film rights investment and advertising agency	– Film rights investment and provision of advertising agency services
Property agency in Hong Kong and the PRC	– Provision of property agency and related services in Hong Kong and the PRC
Securities trading and investments	– Securities trading and investments

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Film rights investment and advertising agency		Property agency in Hong Kong and the PRC		Securities trading and investments		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
– External sales net of tax	217,701	–	49,212	203,803	–	–	266,913	203,803
Segment profit (loss)	33,170	49	(9,690)	(5,887)	(1,832)	865	21,648	(4,973)
Unallocated corporate income							4,513	48
Unallocated corporate expenses							(28,710)	(7,871)
Share-based payments							(81,000)	–
Finance costs							(617)	–
Loss before tax							(84,166)	(12,796)

Other information (included in measure of segment profit (loss))

Net loss on investments held for trading	–	–	–	–	(1,691)	(1,280)	(1,691)	(1,280)
Investment and other income	2,237	329	127	470	11	865	2,375	1,664
Depreciation of property, plant and equipment	4	2	605	810	–	18	609	830
Loss on disposal of property, plant and equipment	–	–	84	–	–	–	84	–
Impairment loss on trade receivables	–	–	1,551	1,121	–	–	1,551	1,121
Impairment loss on goodwill	–	–	4,395	1,219	–	–	4,395	1,219

The segment revenue net of tax on film rights investment and advertising agency above is from a related party. All of the segment revenue on property agency in Hong Kong and the PRC reported above is from external customers.

Segment profit (loss) represents the profit (loss) from each segment without allocation of unallocated corporate income (which mainly includes loan interest income and bank interest income), unallocated corporate expenses (which mainly include loss on acquisition of subsidiaries and administrative expenses), share-based payments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. INVESTMENT AND OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank deposits	2,335	550
Interest on loan receivable	4,173	35
Sundry income	380	509
Interest on debt securities	–	490
Imputed interest on note receivable	–	128
	<u>6,888</u>	<u>1,712</u>

7. OTHER LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net loss on investments held for trading	(1,691)	(1,280)
Loss on acquisitions of assets through acquisition of subsidiaries	(1,109)	–
Impairment loss on trade receivables	(1,551)	(1,121)
Loss on disposals of subsidiaries	–	(1,304)
Gain on change in fair value of financial assets at fair value through profit or loss	–	570
Gain on disposal of note receivable	–	813
	<u>(4,351)</u>	<u>(2,322)</u>

8. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expense on loan payable	<u>617</u>	<u>2,112</u>

9. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The tax charge comprises:		
Current Tax		
– Hong Kong Profits Tax	371	348
– PRC Enterprise Income Tax (“EIT”)	8,282	–
	<u>8,653</u>	<u>348</u>
Overprovision in prior year		
– Hong Kong Profits Tax	(23)	–
	<u>8,630</u>	<u>348</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

10. LOSS FOR THE YEAR

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors’ remuneration, including retirement benefits scheme contributions	6,546	1,350
Other staff costs	15,865	12,070
Other retirement benefits scheme contributions	539	595
	<u>22,950</u>	<u>14,015</u>
Total staff costs		
	<u>22,950</u>	<u>14,015</u>
Auditor’s remuneration	1,280	1,278
Depreciation of property, plant and equipment	788	830
Reversal of impairment loss on trade receivables	(66)	–
Loss on disposal of property, plant and equipment	87	–
Operating lease payments for office premises, shops and photocopying machines	5,236	4,569
Commission expense on property agency	34,645	173,602
Impairment loss on other receivables	–	382
	<u>–</u>	<u>382</u>

11. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of both reporting periods.

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(92,796)</u>	<u>(13,144)</u>
	Number of ordinary shares	
	2015	2014
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,151,121</u>	<u>485,699</u>

No diluted loss per share is presented in both years, as there were no potential ordinary shares outstanding during the years ended 31 December 2015 and 2014.

13. LOAN RECEIVABLE

On 30 December 2014, the Group granted a loan with the principal amount of HK\$80,000,000 to Mastermind Capital Limited ("MCL", now known as "Global Mastermind Capital Limited"), a company with its shares listed on the Stock Exchange, for a term of two years. The interest rate is 8.00% per annum, payable monthly and the default interest rate is 16.00% per annum on the default payment from the date of default until the sum is paid.

At initial recognition, the fair value of the loan receivable was measured at present value of contractual future cash flows discounted at effective interest rate of 8.00%, taking into account the remaining time to maturity. The loan receivable carries fixed interest rate at 8.00% per annum with maturity on 29 December 2016.

During the year ended 31 December 2015, the loan receivable was repaid by MCL and the interest of HK\$4,173,000 is included in investment and other income during the year.

14. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	245,647	126,050
Less: Allowance for doubtful debts	<u>(7,557)</u>	<u>(6,551)</u>
	238,090	119,499
Prepayment on film script fee	73	–
Other deposits paid	9,365	2,588
Prepayments	1,676	213
Other receivables	<u>8,152</u>	<u>33,459</u>
	<u>257,356</u>	<u>155,759</u>

Trade receivables from film rights investment income are usually received within 60 days after the completion of release of the film in movie theatres according to the timing for settlement schedule stipulated in the investment agreement.

For property agency segment in Hong Kong, the Group allows an average credit period of 60 to 90 days to property developers whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted. For property agency segment in the PRC, the Group allows an average credit period of 30 to 60 days to property developers.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables		
0 – 30 days	1,402	14,276
31 – 60 days	221,794	13,381
61 – 90 days	2,282	19,354
91 – 180 days	3,684	40,755
Over 180 days	<u>8,928</u>	<u>31,733</u>
	<u>238,090</u>	<u>119,499</u>

As at 31 December 2015, trade receivables included an amount of HK\$222,059,000 (2014: nil) from 北京真樂道, which is wholly-owned by Mr. Xu, a non-executive director of the Company.

As at 31 December 2015, other receivables included legal claim receivable of HK\$7,891,000 (2014: HK\$8,352,000) as set out in note 18 and deposits paid to the property developer of nil (2014: HK\$24,518,000) for purchasing the first-hand properties on behalf of its customers.

15. INVESTMENTS HELD FOR TRADING

Investments held for trading at the end of the reporting period included:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Listed securities:		
Equity securities listed in Hong Kong	<u>55,580</u>	<u>–</u>

The fair value was based on the quoted prices of the respective securities in active markets.

At 31 December 2015, no investments held for trading have been pledged as security.

16. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	17,394	109,340
Other payables	20,607	8,055
Film rights investment payable	5,900	–
Provision for losses on litigation (<i>Note 18</i>)	<u>11,342</u>	<u>12,004</u>
	<u>55,243</u>	<u>129,399</u>

Trade payables of HK\$17,394,000 (2014: HK\$109,340,000) include mainly the commissions payables to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Other payables mainly comprise of receipts in advance, accrued directors' and staff costs and other sundry creditors.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares		
At 1 January 2014, 31 December 2014 and 2015, at HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2014	320,759,235	3,208
Issue of shares upon placement of shares (<i>Note a</i>)	64,000,000	640
Issue of shares upon open offer of shares (<i>Note b</i>)	<u>192,379,617</u>	<u>1,923</u>
At 31 December 2014	577,138,852	5,771
Issue of shares upon subscription of shares (<i>Note c</i>)	1,701,416,556	17,015
Issue of shares to a financial adviser (<i>Note c</i>)	<u>30,000,000</u>	<u>300</u>
At 31 December 2015	<u>2,308,555,408</u>	<u>23,086</u>

Notes:

- (a) Pursuant to a placing agreement dated 25 April 2014, 64,000,000 shares were allotted and issued at a placing price of HK\$0.81 per share on 5 May 2014. The net proceeds from the placement of shares was approximately HK\$49,955,000, which was intended to be used for expanding into a new business. For the details of the placement of shares, please refer to the Company's announcement dated 25 April 2014.
- (b) Pursuant to an underwriting agreement in respect of the open offer dated 25 April 2014, 192,379,617 shares were allotted and issued at HK\$0.50 per share on 16 June 2014. The net proceeds from the open offer of shares was approximately HK\$92,671,000, which was intended to be used for expanding into a new business. For the details of the open offer, please refer to the Company's announcement dated 25 April 2014.
- (c) Pursuant to the subscription agreement and an amendment agreement dated 14 April 2015 and 13 May 2015 respectively, 1,701,416,556 subscription shares at a subscription price of HK\$0.40 per share and 30,000,000 shares to a financial adviser of HK\$2.70 per share, being fair value of the date of issuance, for settlement of the financial advisory services rendered to the Group were allotted and issued on 2 September 2015. The net proceeds from the subscription of shares was approximately HK\$672,622,000, which was intended to be used for (i) providing the Group with an opportunity to leverage on the extensive experience, expertise and business connection of the subscribers, particularly Mr. Dong Ping, Mr. Ning Hao and Mr. Xu, now all being directors of the Company, to develop existing and new business in the advertising, media and entertainment industry; and (ii) the Group's general working capital. For the details of the subscription of shares and issue of shares to a financial adviser, please refer to the Company's circular dated 5 August 2015.

18. LITIGATION

During the year ended 31 December 2014, the Company's subsidiary, 廣東中觀傳媒有限公司 (“Guangdong Sinofocus”) initiated a legal claim against 遼寧廣播電視廣告有限公司 (“Liaoning Radio”) for recovering a prepayment of advertisement of RMB9,611,000 (equivalent to HK\$11,342,000) (the “Prepayment”), which the amount was paid by a third party, 上海龍韻廣告傳播股份有限公司 (“Shanghai Longyun”) on behalf of Guangdong Sinofocus.

After seeking legal advice, the Group considered the amount of claim to be able to recover from Liaoning Radio is RMB6,687,000 (which amount is also guaranteed by Frontier Services Group Limited (being an independent third party) pursuant to the terms of sale and purchase of the interest in Sinofocus Media, the immediate holding company of Guangdong Sinofocus, by the Group during the year ended 31 December 2014). Accordingly, the amount of RMB6,687,000, equivalent to HK\$7,891,000 (2014: equivalent to HK\$8,352,000) was recognised as other receivable as at 31 December 2015 and 2014.

As the prepayment was paid by Shanghai Longyun, Shanghai Longyun also initiated a legal claim against Guangdong Sinofocus for the sum of RMB9,611,000, equivalent to HK\$11,342,000 (2014: equivalent to HK\$12,004,000). The amount of claim was fully provided by the Group and included in other payables as at 31 December 2015 and 2014 and no further liability was recognised by the Group accordingly.

The litigation result against Shanghai Longyun was released on 8 July 2015 and Guangdong Sinofocus lost the case. The Group paid a sum of RMB9,611,000, equivalent to HK\$11,342,000 to Shanghai Longyun in full on 29 January 2016.

19. EVENT AFTER THE REPORTING PERIOD

On 13 January 2016, Graceful View Holdings Limited (“Graceful”) incorporated in the British Virgin Islands, an indirect wholly-owned subsidiary of the Company since January 2016, entered into a framework agreement with an independent third party, MUBI, Inc. (“MUBI”), a corporation incorporated under the laws of the State of Delaware, United States of America, in relation to a strategic cooperation to be implemented through a series of transactions summarised below.

Subject to the terms and conditions of the framework agreement, the Group will (i) make a US\$10,000,000 strategic investment in MUBI by subscribing for new shares in MUBI representing 8% of the issued capital stock of MUBI; and (ii) 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 PRC market which will involve (a) the contribution by Graceful of US\$40,000,000 cash to a company or other entity established for the joint venture (“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. The proposed transactions have not yet completed as at the date of this announcement. Details of the transaction are set out in the announcement of the Company dated 13 January 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

For the year ended 31 December 2015, the Group has been mainly engaged in the media and entertainment and related businesses, the advertising agency business, provision of property agency and related services and securities trading and investment. Starting from the second half of 2015, the Group has gradually diversified its operations through developing media, entertainment and related businesses, which comprise the planning of and investment in television drama serious and films mostly within the People's Republic of China (the "PRC"). Just a few months after it has diversified the businesses and introduced strategic shareholders and new management, the Group signed several agreements to invest in films with potential box office success and develop online video platforms, including two exclusive service agreements with renowned directors, Mr. Ning Hao and Mr. Xu Zheng, who have become our shareholders and non-executive directors. Under the terms of the service agreements, they are required to produce one to two films every three years by 31 December 2020, which can considerably enhance our capabilities in film content creation and development.

Change of Company Name

To better reflect the Group's development of media and related businesses in China, the special general meeting of the Company held on 28 August 2015 approved the Company to change its name from "21 Holdings Limited" to "Huanxi Media Group Limited" with effect from 22 September 2015. In addition, the Company adopted a new Chinese name "歡喜傳媒集團有限公司". Trading of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the stock short name was changed to "HUANXI MEDIA" in English and "歡喜傳媒" in Chinese with effect from 22 October 2015.

Film rights investment and advertising agency

For the year ended 31 December 2015, the film rights investment and advertising agency business generated a revenue and segment profit of HK\$217,701,000 (2014: nil) and HK\$33,170,000 (2014: HK\$49,000) respectively, mainly from "Lost in Hong Kong" in which the Group owns 47.5% of the box office income rights. On 21 September 2015, the Group signed an agreement with 北京真樂道文化傳播有限公司 ("北京真樂道") to acquire the 北京真樂道's income right in "Lost in Hong Kong" at RMB150,000,000 (equivalent to approximately HK\$184,615,000). Under the agreement, the Group obtained 47.5% of the net income of this film from cinemas in the PRC and overseas for a period of six years commencing from the date of its first release (i.e. 25 September 2015). The acquisition has been completed on 22 December 2015 and was recognised during the year.

The Group also signed movie investment agreements with 東陽映月影視文化傳播有限公司 on 24 December 2015 to invest RMB11,800,000 (equivalent to approximately HK\$13,925,000) in a Chinese animation “年獸大作戰”. Under the agreements, the Group obtained 20% of net income, after deduction of a bonus for the production team, of this film for a period of nine years commencing from the date of its first commercial release. The film was premiered on 8 February 2016, the first day of the Chinese New Year, in the PRC and its revenue contribution is expected to be reflected in the first half of 2016.

Property Agency in Hong Kong and the PRC

For the year ended 31 December 2015, the Group’s property agency business recorded a revenue and segment loss of HK\$49,212,000 and HK\$9,690,000, representing a decrease of around 75.9% and an increase of around 64.8% from the revenue of HK\$203,803,000 and segment loss of HK\$5,887,000 in last year. This decrease was mainly contributed by (i) the control measures by the Hong Kong Government effectively reducing the number of property transactions notably, (ii) the intense competition among the property agents in Hong Kong and (iii) no additional cash allocated for financing customers’ multiple registrations for new projects launched by property developers. As the property agency market is very competitive, the Group is running its business prudently to ensure it can generate the best returns for its shareholders.

Securities Trading and Investments

For the year ended 31 December 2015, the Group’s securities trading and investments recorded a segment loss of HK\$1,832,000 (2014: segment profit of HK\$865,000) which was mainly due to loss from change in fair value of investments held for trading.

After the year ended, the Group signed a framework agreement with MUBI, Inc. (“MUBI”), which operates a world-renowned curated online video-on-demand platform, in respect of proposed strategic cooperation on 13 January 2016. The Group intends to subscribe for new stock in MUBI representing 8% of the issued capital stock of MUBI at US\$10,000,000 and establish a joint venture with MUBI. The Group is to inject US\$40,000,000 cash into a company or other entity established for the joint venture (“Joint Venture Entity”) for 70% of issued share capital of Joint Venture Entity, and MUBI is to invest 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. The Joint Venture Entity is to work with one or more licensed platform operators to provide online video services to consumers in the Greater China market. It is to distribute the films and videos that the Group develops, invests in or has a copyright online. The parties have not signed definitive agreement regarding the cooperation. As at the date of this announcement, the proposed transaction had not been completed. The Company will make an announcement on any further update as and when appropriate.

Financial Review

Review of Results

For the year ended 31 December 2015, the Group reported a revenue of HK\$266,913,000 (2014: HK\$203,803,000) and net loss attributable to the owners of the Company of HK\$92,796,000 (2014: HK\$13,144,000). The loss incurred during the year was mainly attributable to (i) a significant drop in property sales transaction of the property agency segment; and (ii) one-off share-based payments of HK\$81,000,000 in relation to the issuance of shares to financial adviser upon subscription of shares. If the one-off share-based payments was excluded, the net loss attributable to the owners of the Company for the year under review would have been HK\$11,796,000.

For the year ended 31 December 2015, the Group recorded investment and other income of HK\$6,888,000 with a significant increase of 302.3% as compared with HK\$1,712,000 for last year. Such increase was mainly due to the increase in interests on loan receivables and bank deposits of HK\$4,138,000 and HK\$1,785,000 respectively.

For the year ended 31 December 2015, selling and distribution costs decreased by 77.9% to HK\$921,000 as compared to HK\$4,170,000 in 2014. Such decrease was mainly due to market research conducted in relation to the Group's plan for expanding property agency business in overseas for the year ended 31 December 2014.

For the year ended 31 December 2015, administrative expenses increased by 36.3% to HK\$47,361,000 as compared to HK\$34,756,000 in 2014. Such increase was mainly due to the incurrence of expenses for the expansion and development on the film rights investment and advertising agency business.

During the year under review, a one-off share-based payments of HK\$81,000,000 was recognised, which was the fair value of 30,000,000 shares in relation to the settlement of financial advisory services fee with regards to the subscription of shares.

At the end of the reporting period, the Group performed impairment test on the carrying amount of goodwill to determine any potential impairment according to Hong Kong Accounting Standard 36 "Impairment of Assets". The entire net carrying amount of goodwill as at 31 December 2015 has been allocated to the property agency segment in Hong Kong. During the year ended 31 December 2015, an impairment loss of HK\$4,395,000 was recognised, which was based on the past performance of the property agency segment in Hong Kong, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, taking into account the effects of the new cooling measures launched in February 2015 and intense competition among the property agents in Hong Kong. The Directors therefore were of the opinion that their expectation as at 31 December 2014 on potential profitability could not be met and as a result, the valuation assumptions and the cash flow projection have been adjusted to reflect a more conservative expectation, leading to the impairment loss.

For the year ended 31 December 2015, loss per share for the Group amounted to HK\$0.08 (2014: HK\$0.03) and net assets value attributable to the owners of the Company per share was HK\$0.43 (2014: HK\$0.58).

Liquidity and Financial Resources

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and equity financing. As at 31 December 2015, the Group maintained a sufficient working capital amounting to HK\$988,290,000 (2014: HK\$250,805,000) with bank balances and cash of HK\$726,598,000 (2014: HK\$231,917,000). As at 31 December 2015, the total equity of the Company amounting to HK\$990,116,000 (2014: HK\$342,110,000) with no borrowings (2014: HK\$6,000,000). The Group's gearing ratio, express as the percentage of total borrowings over total capital, of the Group as at 31 December 2015 was zero (2014: 1.8%). Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2015, the Company has 2,308,555,408 ordinary shares of HK\$0.01 each (the "Shares") in issue.

During the year, the share capital of the Company had the following changes:

- a. On 5 May 2014, the Company allotted and issued 64,000,000 Shares at a placing price of HK\$0.81 per Share (the "Placing") to not less than six individual investors, whose ultimate beneficial owners are independent third parties, pursuant to the general mandate granted to the Directors at the annual general meeting held on 24 May 2013 and a placing agreement dated 25 April 2014. The placing price of HK\$0.81 per Share represented a discount of approximately 18.18% to the closing price of HK\$0.99 per Share as quoted on the Stock Exchange on 25 April 2014, being the date on which the terms of the Placing were fixed. The net placing price, after deducting the relevant expenses, was approximately HK\$0.78 per Share and the aggregate nominal value of the Shares issued was HK\$640,000. The net proceeds from the Placing of approximately HK\$49,955,000 was intended to use for expansion of the new business, namely the provision of mortgage financing. As at 31 December 2015, approximately HK\$7,255,000 has been used for repayment of loan payable and accrued interest and the remaining HK\$42,700,000 of the net proceeds has been used for investments in securities listed in Hong Kong.

- b. On 16 June 2014, the Company further allotted and issued 192,379,617 Shares at a subscription price of HK\$0.50 per Share by way of open offer to the qualifying shareholders of the Company on the basis of one new Share for every two existing Shares held on 21 May 2014 (the “Open Offer”). The net proceeds from the Open Offer of HK\$92,671,000 was intended to use for expansion of the new business, namely the provision of mortgage financing. As at 31 December 2015, HK\$80,000,000 has been used for financing the granting of loan to an independent third party for a term of two years and the remaining HK\$12,671,000 of the net proceeds has been used for investments in securities listed in Hong Kong.
- c. On 14 April 2015 and 13 May 2015, the Company entered into a subscription agreement and an amendment agreement with Newwood Investments Limited, Numerous Joy Limited, Pacific Wits Limited, Tairong Holdings Limited, Wise Dragon International Limited, Gold Shine Investment Company Limited, Dayunmony Investment Corporation, Concept Best Limited and REORIENT Global Limited (collectively the “Subscribers”), pursuant to which the Company conditionally agreed to allot and issue, and Subscribers conditionally agreed to subscribe for, a total of 1,701,416,556 new Share (“Subscription Shares”) at an issue price of HK\$0.40 per Share (the “Subscription”) with aggregate subscription price of HK\$680,567,000. The Company had also agreed to allot and issue 30,000,000 new Shares (“Fee Shares”) to financial adviser for the settlement of the financial advisory service fee in respect of the Subscription. The newly Subscription Shares represent approximately 294.8% of the issued share capital of the Company as at 14 April 2015 and approximately 73.7% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Fee Shares as at the date of the Subscription. The subscription price of HK\$0.40 per Share represents a discount of approximately 79.17% to the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on 14 April 2015, being the date on which the terms of the Subscription were fixed. The net subscription price, after deducting the relevant expenses, was approximately HK\$0.395 per Share and the aggregate nominal value of the Subscription Shares issued was approximately HK\$17,014,000. The net proceeds of approximately HK\$672,622,000 (excluding the financial advisory fees in respect of the Subscription settled by Fee Shares) from the Subscription was intended to use for (i) providing the Group an opportunity to leverage on the extensive experience, expertise and business connection of the Subscribers to develop existing and new business in the advertising, media and entertainment industry; and (ii) the Group’s general working capital. As at 31 December 2015, approximately HK\$186,830,000 has been used for investments in the Group’s movies, approximately HK\$2,018,000 has been used for investments in securities listed in Hong Kong, approximately HK\$1,000,000 has been used for acquisition of a subsidiary, approximately HK\$22,279,000 has been used for the Group’s operating expenses and the remaining HK\$460,495,000 of the net proceeds has not yet been utilised and has been deposited in licensed banks in Hong Kong.

Charges on Assets

As at 31 December 2015, the Group did not have any charge of assets (2014: The Group had an undated share charge over the entire issued share capital of Kingbox Investments Limited (“Kingbox”) and the shareholder’s loan due by Kingbox to the Company as a security for a loan payable of HK\$6,000,000). The consolidated net asset values of Kingbox and its subsidiaries and the shareholder’s loan as at 31 December 2014 were HK\$42,400,000 and HK\$18,300,000 respectively.

Exposure to Exchange Rate

Most of the Group’s business transactions, assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi. The Group’s exposure to currency risk of US dollars is minimal as the Hong Kong dollars is pegged to the US dollars. Nevertheless, operations and performances of the Group might be affected by the fluctuation in the exchange rates of the Renminbi. Presently, the Group does not have any currency hedging policy but will closely monitor the exchange rate of the Renminbi and take appropriate measures to minimise any adverse impact that may be caused by its fluctuation.

Risk Management

During the year, the Group constantly reviewed the risk and credit control systems of its profit centres to improve the overall control system and mitigate the credit risk.

Contingent Liabilities

As at 31 December 2015, the Group has no material contingent liabilities (2014: nil) except for the litigation described in note 18 to this announcement.

Litigation

Details of the litigation are set out in note 18 to this announcement.

Employees and Remuneration Policies

As at 31 December 2015, the Group had 32 (2014: 24) employees and 167 (2014: 249) agents. The Group has developed effective remuneration policies that are subject to review on regular basis. The employees are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

Prospects

Despite a slowdown in the overall PRC economy in the past year and the expected slower growth in the coming year, the market is generally optimistic about the prospects of the film industry and new media-related industries in the PRC. Moreover, with the Central Government's promotion of "Internet+" and the approval of favorable legislation "Film Industry Promotion Law (Draft)" during initial discussions last year, the PRC film and new media industry has been regarded as a sunrise industry with promising potential in the PRC. Given the current value of the PRC media and entertainment industry of US\$180 billion, many market segments in the PRC entertainment industry are still experiencing annual double-digit growth and the growth momentum tends to increase.

With the improving living standard of the middle class in the PRC, the increase in disposable income has also spurred the development of the entertainment industry. As the disposable income per capita in the PRC has been rising for many years, demand among the populace for intangible culture such as film and the TV entertainment industry has rapidly increased. Against the backdrop of the compound growth in box office of the PRC films, we firmly believe that the film-related entertainment industry will continue to serve as a pillar industry in the current and future national economy and is expected to maintain its trend of rapid growth in the foreseeable future. Hence, the Group will actively capture the timing and advantages of industry development. By leveraging the extensive experience of the Group's management in the PRC film and TV industry and riding on strong support from the Board and strategic shareholders such as Mr. Ning Hao and Mr. Xu Zheng, the Group will further diversify its business and allocate more resources to its business in the PRC media and entertainment industry. Meanwhile, the Group will also continue to actively explore additional capable domestic and overseas directors for cooperation to enrich the Group's film and TV products so as to further boost its competitive advantages in film and TV distribution as well as production and investment. The Group intends to develop or invest in at least one film or TV drama series every year with the aim to strive for better returns for the shareholders.

On the other hand, given the Central Government's "Internet+" campaign, the major trend of content creation migrating to the Internet in the PRC is expected to be seen in all aspects of the cultural and entertainment industry. The Internet content creation industry chain, which is represented by video websites and supplemented by film and TV organizations, will be formed. The Group expects new media film and TV platforms to become the new major development direction of the PRC entertainment, film and TV programming in the future. The Internet and mobile new media will increasingly replace TV and the films, which are presented in traditional cinemas, and will soon become a mass media channel. The Internet and mobile new media will drive the change of the entire entertainment industry in the PRC and the transformation will continue to broaden under the "Internet+" environment with profound implication for society as well as the industry.

The PRC film market has experienced rapid growth in recent years. To cater for the increasing demand of the PRC audience for quality online content, it is essential for the online film and video services to provide more exciting and distinctive content. To grasp the opportunities brought by the current new media video market, the Group intends to cooperate with one or more licensed online broadcast platform operators in the PRC with the aim to provide more diverse and quality online film and TV video products to online users in the Greater China region. With its strong capability in the creation and acquisition of original films, the Group aims to bring a vibrant online film and TV platform with powerful functionality to audiences across the PRC. With the Group's rich experience in film and TV content creation and its management team's acute sense of the preferences and trends of PRC media and entertainment industries, the Group plans to develop an online film and TV services platform by adding more distinctive, innovative and market-oriented film and TV elements aimed at providing constant momentum to support long-term and sustainable development of the new media business.

The Group will also optimally utilize the resources and leverage the advantages of its management team and directors in the media and entertainment industries and will continue to actively explore the opportunities to cooperate with outstanding partners while closely monitoring the development opportunities of the industry. In this way it can keep abreast of the rapid development of the PRC film and TV market, to spur the Group's media and entertainment-related businesses and to further reinforce and broaden its competitiveness advantages, ultimately advancing the its long-term and sustainable business development.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Practices

Throughout the year ended 31 December 2015, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as listed out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited except for the following deviations:

Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Prior to 2 September 2015, the chairman of the Board (the “Chairman”) was Mr. Lei Hong Wai. After the resignation of Mr. Lei Hong Wai as an executive Director and the Chairman of the Board on 2 September 2015, there is no specific designation of Chairman of the Board from 2 September 2015 until Mr. Dong Ping was redesignated as the Chairman of the Board on 15 January 2016.

On 18 September 2015, Mr. Xiang Shaokun, Steven, an executive Director (appointed as an executive Director on 2 September 2015), was appointed as the chief executive officer of the Group. Mr. Dong Ping focuses on the leadership role in the Board to ensure that the Board works effectively in discharging its responsibilities whilst Mr. Xiang Shaokun, Steven focuses on day-to-day corporate management matters of the Group. The Board considers that the segregation of responsibilities among the Board members meets the requirements under the CG Code for the year ended 31 December 2015. Since 15 January 2016, Mr. Dong Ping was redesignated as the Chairman of the Board and therefore Code A.2.1 of the CG Code has been complied with since then and the roles of the Chairman (by Mr. Dong Ping) and chief executive officer (by Mr. Xiang Shaokun, Steven) are therefore separate and exercised by different individuals.

Following the resignation of Mr. Lei Hong Wai as the Chairman of the Board and an executive Director and the resignation of Ms. Chio Chong Meng as an independent non-executive Director on 2 September 2015, they ceased to be the chairman and a member of the nomination committee respectively, the Company was unable to fulfill Code A.5.1 of the CG Code which requires the nomination committee to be chaired by the chairman of the board or an independent non-executive director. Further, the number of members of the nomination committee of the Company fell below the minimum number required under the terms of reference of the nomination committee. On 18 September 2015, Mr. Man Kong Yui resigned as an independent non-executive Director and ceased to be a member of nomination committee. Following the appointment of Mr. Su Tuong Sing, David as the chairman of nomination committee and Mr. Dong Ping and Mr. Li Xiaolong as members of nomination committee on 18 September 2015, the aforesaid requirements have been complied with.

Review of the Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the consolidated financial statements for the year ended 31 December 2015.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. No assurance work has been performed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 23 March 2016

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, 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.