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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 2017

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 2017, together with comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	5	**53,209**	16,112
Cost of sales and service rendered		**(59,072)**	(20,565)
Gross loss		**(5,863)**	(4,453)
Other income	7	**6,233**	4,947
Other gains and losses	8	**3,088**	(11,323)
Selling and distribution costs		**(549)**	(12,112)
Administrative expenses		**(97,914)**	(110,332)
Share-based payments		**–**	(1,120,472)
Finance costs	9	**(154)**	–
Loss before tax		**(95,159)**	(1,253,745)
Income tax expense	10	**–**	–
Loss for the year	11	**(95,159)**	(1,253,745)

* *for identification purpose only*

	NOTES	2017 HK$'000	2016 HK$'000
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of functional currency to presentation currency		**60,415**	6,872
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	(8,132)
		60,415	(1,260)
Total comprehensive expense for the year		**(34,744)**	(1,255,005)
Loss for the year attributable to owners of the Company		**(95,159)**	(1,253,745)
Total comprehensive expense for the year attributable to owners of the Company		**(34,744)**	(1,255,005)
Loss per share			
Basic (HK dollar)	13	**(0.03)**	(0.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,917**	4,942
Intangible assets		**21,017**	–
Art work		**–**	20,000
Rental deposits		**5,490**	5,344
Prepayment for film and TV rights	14	**407,917**	220,814
Film and TV rights	15	**22,743**	–
Available-for-sale investment		**–**	208
		463,084	251,308
CURRENT ASSETS			
Film and TV rights	15	**491,090**	250,958
Trade and other receivables, deposits and prepayments	16	**53,184**	147,459
Investments held for trading		**–**	52,768
Bank balances and cash		**39,169**	309,062
		583,443	760,247
CURRENT LIABILITIES			
Trade and other payables	17	**54,084**	175,544
Amount due to a related party	18	**120,000**	–
Borrowing	19	**77,500**	–
Tax payable		**2,776**	9,100
		254,360	184,644
NET CURRENT ASSETS		**329,083**	575,603
NET ASSETS		**792,167**	826,911
CAPITAL AND RESERVES			
Share capital		**27,681**	27,681
Reserves		**764,486**	799,230
TOTAL EQUITY		**792,167**	826,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 and its subsidiaries are principally engaged in media and entertainment and related businesses, provision of property agency and related services and securities trading and investments.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The functional currency of the Company is Renminbi ("RMB") while the consolidated financial statements of the Company are presented in Hong Kong dollars ("HK$"), which the management of the Group considers that it is more convenient to the shareholders as the Company is a listed company in Hong Kong.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT

In preparing the Group's consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group in view of that the Group had bank balances and cash balance as at 31 December 2017 of HK$39,169,000 (31 December 2016: HK$309,062,000), amount due to a related party of HK$120,000,000 and short term borrowing of USD10,000,000 (equivalent to approximately HK$77,500,000), and the Group had net cash used in operating activities for the year ended 31 December 2017 of HK$531,956,000 (2016: HK$367,011,000) and loss for the year attributable to owners of the Company of HK$95,159,000 (2016: HK$1,253,745,000). The Directors have reviewed the Group's cash flow forecast which cover a period of not less than twelve months from 31 December 2017 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations that will be due in the coming twelve months from 31 December 2017 on the basis that:

(i) Subsequent to the year ended 31 December 2017, the Group obtained additional loan financing of USD6,330,000 (equivalent to approximately HK$47,962,000) from an independent third party and a loan facility of HK$100,000,000 from Mr. Dong Ping ("Mr. Dong"), the chairman, the executive director and a substantial shareholder of the Company in March 2018, and the Directors considered that the Group is in a good position to obtain further financing from either independent third parties or Mr. Dong;

(ii) The Group is in the process of discussion with potential investors for the possibility of new shares issuance with an estimated net proceed of above HK$700,000,000;

(iii) The Group is in the process of negotiation with a potential investor in respect of an offer for a guaranteed minimum distribution income to the Group of RMB700,000,000 from the distribution of a film. The related film is currently under production by the Group and the theatrical distribution of the film is tentatively scheduled to be in the first quarter of 2019;

(iv) The possibility of restructuring existing short term borrowing of USD10,000,000 (equivalent to approximately HK$77,500,000) to long-term financing or equity; and

(v) Mr. Dong agreed not to demand for the repayment of the amount due to him of HK$120,000,000 as at 31 December 2017 until the Group is able to repay without affecting its liquidity and going concern.

Based on the aforesaid factors together with the internally generated funds in the coming twelve months, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

4. 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 and by the Hong Kong Companies Ordinance.

5. REVENUE

An analysis of the Group's revenue for the year net of sales related tax is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sublicensing of broadcasting rights *(Note a)*	**52,772**	–
Film right investment income *(Note b)*	**–**	5,073
Property agency commission and service income in Hong Kong and the People's Republic of China (the "PRC")	**437**	11,039
	53,209	16,112

(a) For the year ended 31 December 2017, the Group recognised revenue of HK$52,772,000 from sublicensing of certain broadcasting right of a film in different regions for various media to certain independent third parties.

(b) During the year ended 31 December 2015, the Group entered into agreements with 東陽映月影視文化傳播有限公司 ("東陽映月"), a company in which Mr. Ning Hao ("Mr. Ning"), a non-executive director of the Company, has beneficial interest, to invest in a film at a consideration of RMB11,800,000 (equivalent to approximately HK$13,722,000), whereby the Group can share 20% of net income comprising of 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, royalty income on copyright on the internet, royalty income on copyright on game of using the content and income from placement marketing. During the year ended 31 December 2016, the film was released and the carrying amount of the related film and TV rights was recognised as cost of sales, while the film right investment income of HK$5,073,000 was recognised as revenue accordingly.

6. 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 performance. This is also the basis upon which the Group is arranged and organised.

The Group's operations are currently organised into three operating and reportable segments as follows:

Investment in film and TV rights	– Investment in film and TV rights
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:

	Investment in film and TV rights		Property agency in Hong Kong and the PRC		Securities trading and investments		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
– External sales net of tax	52,772	5,073	437	11,039	–	–	53,209	16,112
Segment (loss) profit	(18,716)	(1,191,294)	(143)	(1,193)	4,182	(2,816)	(14,677)	(1,195,303)
Unallocated corporate income							2,049	9,211
Unallocated corporate expenses							(82,377)	(67,653)
Finance costs							(154)	–
Loss before tax							(95,159)	(1,253,745)
Other information (included in measure of segment (loss) profit)								
Gain (loss) on change in fair value of investments helding for trading	–	–	–	–	3,747	(4,236)	3,747	(4,236)
Other income	4,769	2,674	827	44	588	1,433	6,184	4,151
Depreciation of property, plant and equipment	1,056	359	4	89	–	–	1,060	448
Amortisation of intangible assets	2,251	–	–	–	–	–	2,251	–
Amortisation of film and TV rights	56,640	13,723	–	–	–	–	56,640	13,723
Loss on disposal of property, plant and equipment	–	–	–	23	–	–	–	23
Impairment loss on available-for-sale investment	208	15,333	–	–	–	–	208	15,333
Impairment loss on trade receivables	–	–	–	30	–	–	–	30
Reversal of impairment loss on trade receivables	–	–	34	268	–	–	34	268
Share-based payments to film directors	–	1,120,472	–	–	–	–	–	1,120,472

During the year ended 31 December 2016, all of the segment revenue net of tax on film right investments above was derived from a related party. All of the segment revenue on property agency above are from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit from each segment without allocation of unallocated corporate income (which mainly includes certain bank interest income, gain on disposal of art work and certain sundry income), unallocated corporate expenses (which mainly include certain administrative expenses and exchange gain (loss)) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

7. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest on bank deposits	**152**	907
Interest on loan receivable	**–**	22
Dividend income	**588**	1,433
Government grant *(Note)*	**2,635**	2,245
Sundry income	**2,858**	340
	6,233	4,947

Note: Government grant of RMB2,279,000 (equivalent to approximately HK$2,635,000) (2016: RMB1,931,000 (equivalent to approximately HK$2,245,000)) was received from Tianjin Government for the purpose of enhancing the economic development of Tianjin. There was no condition attached to such government grant.

8. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Gain (loss) on change in fair value of investments held for trading	**3,747**	(4,236)
Gain on disposal of subsidiaries	**–**	797
Gain on disposal of art work	**2,000**	–
Impairment loss on trade receivables	**–**	(30)
Impairment loss on available-for-sale investment	**(208)**	(15,333)
Reversal of impairment loss on trade receivables	**34**	268
Loss on disposal of property, plant and equipment	**(10)**	(606)
Exchange (loss) gain, net	**(2,475)**	7,817
	3,088	(11,323)

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on borrowing	**154**	–

10. INCOME TAX EXPENSE

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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the relevant group entities incurred tax losses.

11. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions	**19,033**	18,054
Other staff costs	**29,814**	23,501
Other staff's retirement benefits scheme contributions	**3,597**	1,941
Total staff costs	**52,444**	43,496
Auditor's remuneration	**3,664**	1,726
Depreciation of property, plant and equipment	**2,237**	1,012
Amortisation of intangible assets (included in cost of sales)	**2,251**	–
Amortisation of film and TV rights (included in cost of sales)	**56,640**	13,723
Operating lease charges-minimum lease payments in respect of office premises, shops and photocopying machines	**14,953**	13,629
Commission expense on property agency	**181**	6,843

12. DIVIDENDS

Neither dividends were paid, declared or proposed for the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of both reporting periods.

13. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(95,159)**	(1,253,745)

	Number of ordinary shares	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,768,055**	2,451,399

No diluted loss per share is presented in both years, as there were no potential ordinary shares outstanding during the years ended 31 December 2017 and 2016.

14. PREPAYMENT FOR FILM AND TV RIGHTS

	2017	2016
	HK$'000	*HK$'000*
Master China Films Limited	**119,904**	111,161
Mr. Chan Ho Sun Peter	**107,866**	100,000
Rui Zhi Workshop Company Limited	**5,197**	9,653
Mr. Gu Changwei	**35,240**	–
Mr. Zhang Xiaoling (also known as Zhang Yibai)	**64,748**	–
Mr. Chen Daming	**14,388**	–
Dongchun Films Co., Limited	**23,981**	–
Xstream Pictures (Beijing) Limited	**11,991**	–
Mr. Xu Zheng	**12,612**	–
Shanghai Shigu Film Co., Limited	**11,990**	–
	407,917	220,814

15. FILM AND TV RIGHTS

	2017	2016
	HK$'000	*HK$'000*
Film and TV rights completed	**10,779**	–
Film and TV rights under production (Note)	**384,331**	122,985
Film right investments	**95,980**	81,286
Licensed film and TV rights	**22,743**	46,687
	513,833	250,958

	2017	2016
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
– Current assets	**491,090**	250,958
– Non-current assets	**22,743**	–
	513,833	250,958

Note: Included in the film and TV rights under production as at 31 December 2017, there was a film right with incurred production cost of HK$373,540,000 (2016: HK$122,985,000) in respect of the production of a film ("瘋狂的外星人") in the PRC. On 30 December 2016, the Group entered into an agreement with a company established in the PRC, 霍爾果斯甲壹影視文化傳播有限公司 ("甲壹影視" or "Jiayi Movie"), as a production house, to produce the above-mentioned film at a budgeted cost of RMB400,000,000 (equivalent to approximately HK$479,616,000), including the service fee to Jiayi Movie which is chargeable based on 5% of the total production cost of the film and film director's fee to Mr. Ning, the non-executive director of the Company, of RMB30,000,000 (equivalent to approximately HK$35,971,000) . In the opinion of the directors of the Company, Jiayi Movie is an independent third party and Mr. Ning does not have any interests in the contracts or transactions in connection with the production of such a film other than his role as a film director.

As at 31 December 2017, the management of the Group considered that the carrying amounts of the film and TV rights are recoverable from expected future income of related film and TV rights. Accordingly, no impairment was recognised.

16. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**4,216**	8,477
Less: Allowance for doubtful debts	**(2,175)**	(2,278)
	2,041	6,199

Trade receivables from sublicensing of broadcasting rights are usually received within 180 days from the date of delivery of the master copy or materials.

Trade receivables from film and TV 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.

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

	2017	2016
	HK$'000	*HK$'000*
0 - 30 days	**112**	76
31 - 60 days	**–**	29
61 - 90 days	**1,792**	60
91 - 180 days	**11**	3,805
Over 180 days	**126**	2,229
	2,041	6,199

17. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**1,701**	41,461

As at 31 December 2017, trade payables of HK$1,701,000 (2016: HK$8,112,000) represented mainly the commissions payables to property consultants and cooperative estate agents. As at 31 December 2016, trade payables of HK$33,349,000 (2017: nil) represented the internet income rights payable to an independent third party within 180 days for a film directed by Mr. Lu Yang.

18. AMOUNT DUE TO A RELATED PARTY

During the year ended 31 December 2017, Mr. Dong, an executive director and a substantial shareholder of the Company, made an advancement of HK$120,000,000 to the Company to strengthen the Group's general working capital for which the amount is unsecured, repayable in 6 months and non-interest bearing.

19. BORROWING

As at 31 December 2017, the borrowing represents an amount of USD10,000,000 (equivalent to approximately HK$77,500,000) borrowed from an independent third party, which is repayable within one year, unsecured and carries interest at a fixed rate of 3.0% per annum.

20. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2018, the Group's wholly-owned subsidiary, Beijing Huan Sheng Xiao Yu Culture Media Company Limited ("北京歡聲笑語文化傳媒有限公司") entered into certain contractual arrangements (the "Contractual Arrangements") with Beijing Hua Hua Duo Duo Company Limited ("北京花花朵朵文化有限公司" or the "Target") and its subsidiary ("北京漢高華網絡科技有限公司") (the Target and its subsidiary collectively the "Target Group"), and the Target's equity holders who are independent third party individuals in the PRC. The Target Group is principally involved in the movie production and distribution and provision of internet audio-visual programs services in the PRC.

Pursuant to these agreements, the Group will provide a loan of RMB18,000,000 to the Target's equity holders and who will in turn inject the same amount to the Target as capital or shareholders' loans. No other purchase consideration is required to be paid by the Group.

By virtue of the contractual arrangements, the Group has obtained control over and derived economic benefits from the Target Group with effect from 19 January 2018.

Up to the date of the approval of these consolidated financial statements for issuance, the Directors are still assessing the fair values of the Target's assets and liabilities to be recognised at the date of acquisition.

(b) On 16 March 2018, the Company, entered into a loan agreement with Heroic Legend Ventures Limited, a company incorporated in the BVI, for a loan facility in the amount of USD6,333,000. The loan is unsecured, bears interest at 3% per annum and is repayable on the six months from the date on which the advance is made. Pursuant to the loan agreement, the Group drew down USD6,333,000 on 19 March 2018.

(c) On 9 March 2018, the Company and Mr. Dong, the chairman and executive director of the Company, entered into a loan agreement for a loan facility in the amount of HK$100,000,000. The loan facility is unsecured, interest free and is available for a period of one year from 9 March 2018. The loan is provided to the Group for the purpose of working capital or investments in film rights or production.

(d) On 26 March 2018, the Company and an independent third party entered into an agreement in respect of an offer for a guaranteed distribution income to be received by the Group at a minimum amount of RMB700,000,000 from the distribution of a film under production by the Group. Pursuant to the proposed arrangements, the Group will be entitled to a guaranteed minimum distribution income of RMB700,000,000 if the box office receipts from the related film is less than RMB2,800,000,000. The Group will be entitled to share 30% and the counter party will be entitled to share 70% of the distribution income to the extent that the box office receipts from the related film is greater than RMB2,800,000,000. Pursuant to this agreement, the Group received a deposit of RMB50,000,000 and it is refundable to the counterparty if the two parties could not reach a final agreement within 90 days from 26 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

2017 was a year of cultivation for Huanxi Media. The Group continued to implement its “content is king” strategy to bring a wide variety of entertainment to different audiences. The Group as main investor and producer of numbers of core films were completed during the year. The Group also ventured into and invested in internet drama series and filming have been started. These drama series are expected to be released in the next one or two years with promising results.

Film and TV Rights Investment Business

For the year ended 31 December 2017, the film rights investment business generated revenue of HK$52,772,000 (2016: HK$5,073,000), which included the revenue from new media broadcasting right of Brotherhood of Blades II: The Infernal Battlefield. Segmental loss decreased from HK$1,191,294,000 in 2016 to HK$18,716,000 during the year under review. The decrease of segmental loss mainly because the absence of share-based payments during the year under review (2016: HK$1,120,472,000).

During the year under review, the films in production stage included Nice to Meet You, directed by Mr. Gu Changwei; Us and Them, the directorial debut of famous Taiwanese singer Ms. Rene Liu; Ash Is Purest White directed by Mr. Jia Zhangke; Wizards in the Royal Palace, directed by Mr. Manfred Wong; Drug Dealer, which co-produced by Mr. Xu Zheng and Mr. Ning Hao, featuring Mr. Xu Zheng in the leading role and directed by Mr. Wen Muye; and Crazy Alien directed by Mr. Ning Hao. The Group expects them generating handsome returns subsequently.

In addition, several internet drama series are currently under production. The 13-episode internet drama series Sex and Stocks, directed by Mr. Gu Changwei, will be broadcasted in the second half of this year or first half of next year. The internet drama series directed by Mr. Zhang Yibai, Mr. Jia Zhangke and Mr. Wong Kar Wai individually are likely to greet audiences in the second half of this year.

The Group continued to explore opportunities to cooperate with internationally famed directors during the year. The Group signed a cooperation agreement with prominent Chinese film director Mr. Wang Xiaoshuai and Dongchun Films Co., Limited, pursuant to which the Group is given priority right in the next six years to invest in and globally distribute two productions (including film and internet film and drama series) directed or produced by Mr. Wang. In addition, the Group also has exclusive rights to distribute and resell the new productions to global new media platforms.

The Group also made certain progress on the new media online platform. The new media online platform "huanxi.com" (歡喜首映), which was developed by the Group by taking reference of its partners' business model, is in trial run stage and currently has close to 200,000 registered users. Distinguished from conventional database-supported online platforms in the market, "huanxi.com" (歡喜首映) offers selected movies on a membership basis. It selects and recommends quality movies to members. The platform is expected to be officially launched in the second half of this year.

Property Agency Business

For the year ended 31 December 2017, the Group's property agency business recorded revenue of HK$437,000 (2016: HK$11,039,000) and segmental loss of HK$143,000 (2016: HK$1,193,000). The segment shrank mainly because the management has allocated more resources to media, entertainment and related businesses, which are the Group's major future growth drivers.

Securities Trading and Investment Business

For the year ended 31 December 2017, the Group's securities trading and investments business recorded a segmental profit of HK$4,182,000 (2016: segmental loss of HK$2,816,000) which was generated from the gain on disposal of securities and investments.

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2017, the Group recorded revenue of HK$53,209,000 (2016: HK$16,112,000) and net loss attributable to owners of the Company of HK$95,159,000 (2016: HK$1,253,745,000). The loss was principally due to the absence of prominent movie release to generate sufficient revenue to cover the costs and expenses.

For the year ended 31 December 2017, selling and distribution costs were HK$549,000 (2016: HK$12,112,000). The decrease was mainly due to the absence of expenses incurred in relation to planning and promotion of significant film and TV business.

Administrative expenses were HK$97,914,000 for the year ended 31 December 2017 (2016: HK$110,332,000). The decrease was primarily due to the decrease of legal and professional fee.

For the year ended 31 December 2017, loss per share of the Group amounted to HK$0.03 (2016: HK$0.51) and net asset value per share attributable to owners of the Company was HK$0.29 (2016: HK$0.30).

Liquidity and Financial Resources

The Group's capital expenditure, daily operation and investments are mainly funded by cash generated from its operations and borrowings. As at 31 December 2017, the Group had net current assets of HK$329,083,000 (2016: HK$575,603,000), with bank balances and cash of HK$39,169,000 (2016: HK$309,062,000). As at 31 December 2017, the total equity of the Company amounted to HK$792,167,000 (2016: HK$826,911,000) with total borrowings of HK$197,500,000 (2016: nil). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.20 (2016: zero) as at 31 December 2017. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2017 and 31 December 2016, the Company had 2,768,055,408 ordinary shares of HK$0.01 each in issue.

Charges on Assets

As at 31 December 2017, the Group did not have any charge of assets (2016: the Group's short-term payable of RMB100,000,000 (equivalent approximately to HK$111,161,000) was secured by a deposit of HK$111,161,000).

Foreign Exchange Exposure

The Group's cash flow from operation, cash on hand and assets are denominated mainly in Hong Kong dollars, US dollars and Renminbi. Although most of the production costs and management fees are denominated in Renminbi, foreign currencies are needed for many investment opportunities and cooperation plans with mainland China and overseas film companies. The Group will continue to monitor its capital needs closely and take appropriate measures to minimize any adverse impact of exchange rate fluctuation on its overall financial status and lower the Group's financial risks.

Risk Management

During the year, the Group regularly reviewed the risk and credit control systems of its profit centers to improve those systems overall and mitigate credit risk. There have been no significant changes in the Group's risk management policy since the year-end date last year.

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: a litigation which the decision was issued by the court in November 2016 and recoverable amount of RMB10,875,000 was received by the Group in January 2017).

Employees and Remuneration Policies

The Group firmly believes high-caliber people are the most valuable asset of a corporation. The Group thus places great attention on attracting and nurturing talent. It has kept optimizing its staff structure to match its development strategy and business needs. As at 31 December 2017, the Group had 73 (2016: 55) employees and one agent (2016: 3). It hired more employees during the year to support the expanding of its media, entertainment and related businesses, and the decrease in number of agents was from downsizing of property agency business, as well as the Group shifting in focus on the high-growth media and entertainment market. The Group has in place well-designed remuneration management and incentive mechanisms, with employees remunerated based on their positions and work performance, along with industry trends.

Business Strategies and Prospects

Following the rapid development of the cultural and entertainment industry in the PRC, the film-related entertainment business will continue to grow and become a pillar industry of the PRC economy. To seize a good position in the burgeoning industry, the Group has been actively exploring and building its content resources in an aim to be a leading, all-round media and entertainment group in the Greater China region. Many films and TV productions of the Group are expected to be completed or broadcasted in these two years, and the Group believes that quality content will bring handsome returns, reflect the fruit of pre-production investment, and hence lay a solid foundation for its healthy growth.

The Group believes having an outstanding production team is fundamental to the creation of quality film and TV contents. Currently, the Group has six director shareholders, namely Ning Hao, Wong Kar Wai, Xu Zheng, Chan Ho Sun Peter, Gu Changwei and Zhang Yibai. The Group also has close cooperative relationship with renowned directors in the PRC and overseas, including Jia Zhangke, Manfred Wong, Wang Xiaoshuai, Li Yang and Chen Daming. The Group is tying in a brand new operational model with the wide networks and rich experience of the directors it cooperates with, to build a cooperation platform for to ultimately achieve all-win. The Group will continue to identify opportunities to cooperate with more famous directors so as to create more diverse and quality productions for audiences in the Greater China region, while enhancing its core competitive advantages in film and TV production.

Moreover, the Group has been active in building the online platform "huanxi.com" (歡喜首映) which distinguished from existing video broadcasting websites, it carefully selects and offers various quality films and network drama series to audiences in order to save their searching time and facilitate them to enjoy the content they like with ease. It positioned as an online film and TV productions store that serves white-collar in city and sub-urban. With premium content and matching the growing trend of paid viewing, "huanxi.com" (歡喜首映) will be able to attract a large number of users and related revenue will become the Group's profit growth driver.

Conclusion

As urbanization continues and accordingly cultural consumption demand matures, the film and TV industry has been given continuous impetus to grow. Implementation of the "PRC Film Industry Promotion Law" braces the development of the film industry in the PRC, as it has strengthened protection of intellectual property right and can facilitate structural upgrade of the system, talent, capital and technologies of the film industry. The size of the audiences of film and TV productions is expected to climb to new height in 2018. The large audience base is what powers the creation of contents, and great contents complimented by word-of-mouth shall be recognised and reflected in box office receipts.

Looking ahead, the Group will continue to capture opportunities with professionalism. By actively developing its film, TV and entertainment business in the PRC, building on the brilliant investment vision of its management team and its own flexible management and operational models, the Group will be able to hasten building of a leading online video platform, and prefect its industrial chain from film and TV content creation, shooting and production to distribution and marketing. These moves will help consolidate and expand the Group's competitive advantages and in turn help the Group generate greater long-term returns for shareholders.

OTHER INFORMATION

Corporate Governance Practices

Throughout the year ended 31 December 2017, 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:

a. Pursuant to Code A.6.7 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Mr. Ning Hao, Mr. Xu Zheng and Mr. Gao Zhikai (non-executive Directors) and Mr. Li Xiaolong and Mr. Su Tuong Sing, David (independent non-executive Directors), were unable to attend the annual general meeting of the Company held on 2 June 2017 due to their respective engagement.

b. Pursuant to Code E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Dong Ping, was unable to attend the annual general meeting of the Company held on 2 June 2017 due to his other engagement. However, the Chief Executive Officer and executive director of the Company, Mr. Xiang Shaokun Steven, was present at the annual general meeting and took the chair of the meeting. The chairman of the audit committee of the Company was also present at the annual general meeting.

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

During 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2017.

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

Hong Kong, 29 March 2018

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.