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 2018

The board of directors (the "Board") of Huanxi Media Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue and film investment income	5	**174,632**	53,209
Cost of revenue	11	**(85,317)**	(59,072)
Gross profit/(loss)		**89,315**	(5,863)
Other income	7	**42**	6,081
Other (losses)/gains	8	**(346)**	3,088
Selling and distribution costs	11	**(25,958)**	(549)
Administrative expenses	11	**(203,521)**	(97,914)
Share-based payment for cooperation with a film director	21	**(270,000)**	–
Operating loss		**(410,468)**	(95,157)

* *for identification purpose only*

	NOTES	2018 HK$'000	2017 HK$'000
Finance income	9	**701**	152
Finance costs	9	**(16,497)**	(154)
Finance costs, net	9	**(15,796)**	(2)
Loss before tax		**(426,264)**	(95,159)
Income tax expense	10	**(18,429)**	–
Loss for the year		**(444,693)**	(95,159)
Loss for the year attributable to owners of the Company		**(444,693)**	(95,159)
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of functional currency to presentation currency		**5,028**	23,468
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(49,202)**	36,947
		(44,174)	60,415
Total comprehensive loss for the year		**(488,867)**	(34,744)
Total comprehensive loss for the year attributable to owners of the Company		**(488,867)**	(34,744)
Loss per share for loss attributable to owners of the Company			
Basic and diluted (HK dollar)	13	**(0.16)**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,762**	5,917
Intangible assets		**16,285**	21,017
Rental deposits	16	**5,608**	5,490
Prepayment for film and TV programmes rights	14	**370,222**	407,917
Film and TV programmes rights	15	**18,077**	22,743
		413,954	463,084
CURRENT ASSETS			
Film and TV programmes rights	15	**744,542**	506,362
Trade and other receivables, deposits and prepayments	16	**371,305**	37,912
Contract assets	17	**5,220**	–
Cash and cash equivalents		**158,528**	39,169
		1,279,595	583,443
Total assets		**1,693,549**	1,046,527
EQUITY			
Share capital		**29,181**	27,681
Reserves		**629,487**	764,486
Total equity		**658,668**	792,167
CURRENT LIABILITIES			
Trade and other payables	18	**98,025**	54,084
Contract liabilities	17	**528,652**	–
Amounts due to related parties	19	**92,467**	120,000
Borrowings	20	**295,307**	77,500
Tax payable		**20,430**	2,776
Total liabilities		**1,034,881**	254,360
Total equity and liabilities		**1,693,549**	1,046,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of 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 related businesses and provision of property agency related services.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Going concern basis

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$158,528,000, amounts due to related parties of approximately HK$92,467,000 and short term borrowings of approximately HK$295,307,000, and the Group had net cash used in operating activities for the year ended 31 December 2018 of approximately HK$61,880,000 and loss for the year attributable to owners of the Company of approximately HK$444,693,000. The directors of the Company have reviewed the Group's cash flows forecast which cover a period of not less than twelve months from the date of this announcement 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 the date of this announcement on the basis that:

(i) In July 2018, the Group has signed a cooperation agreement with Maoyan Entertainment ("Maoyan") in relation to the proposed subscription of ordinary shares of the Company. On 12 March 2019, the Group has signed a shares subscription agreement with Maoyan in relation to subscription of 7.5% enlarged ordinary share of the Company with consideration of approximately HK$390,556,000. The proceeds from the issuance of ordinary shares have been received in March 2019; and

(ii) During the year ended 31 December 2018, the Group has signed a minimum guarantee contract with an independent third party pursuant to which the total minimum guarantee amount is RMB700,000,000 (equivalent to approximately HK$796,903,000). As at 31 December 2018, the Group has received RMB464,000,000 (equivalent to approximately HK$528,233,000) and it has been accounted for as contract liabilities in the consolidated statement of financial position. The related film has been publicly released in February 2019 and the Group has recognised the contract liabilities as revenue during the year ending 31 December 2019. The remaining minimum guarantee amounted to RMB236,000,000 (equivalent to approximately HK$268,670,000) has been received in February 2019.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(b) Compliance with HKFRS and HKCO

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(c) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

(d) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

Annual Improvement projects	Annual improvements 2014–2016 cycle (Amendments)
HKAS 40 (Amendments)	Transfers of investment property
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK(IFRIC)–Int 22	Foreign currency transactions and advance consideration

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 3 below. The other standard did not have any material impact on the Group's accounting policies and did not require retrospective adjustment.

(e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual improvements 2015–2017 cycle (Amendments)	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)–Int 23	Uncertainty over income tax treatments	1 January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendments)	Definition of business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$35,577,000. Management assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. APPLICATION OF NEW AND REVISED HKFRSs

This note explains the impact of the adoption of HKFRS 9 Financial instruments ("HKFRS 9") and HKFRS 15 Revenue from contracts with customers ("HKFRS 15") on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(a) HKFRS 15 Revenue from contracts with Customers

The Group recognises revenue from the following major sources:

- Investments in film and TV programmes rights
- Property agency

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

(i) Key changes in accounting policies resulting from application of HKFRS15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Variable consideration

For contracts that contain variable consideration from investment in film and TV programmes rights, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(iii) Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 does not have significant impact on the amounts reported in the consolidated financial statements.

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables;
- contract assets; and
- other financial assets measured at amortised costs (including cash and cash equivalents and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

(a) Trade receivables and contract assets

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

(b) *Other financial assets measured at amortised cost*

Other financial assets at amortised cost include other receivables. The Group has applied the expected credit loss model to other receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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 AND FILM INVESTMENT INCOME

An analysis of the Group's revenue and film investment income for the year, net of sales related tax, is as follows:

	2018	2017
	HK$000	*HK$000*
Film rights investment income *(Note)*	**137,973**	–
Revenue derived from content production		
– Sublicensing and sales of film and TV programmes rights	**23,612**	52,772
– Share of box office income	**12,761**	–
Property agency commission and service income in Hong Kong	**286**	437
	174,632	53,209

Note: During the year ended 31 December 2018, the Group is entitled to proceeds from certain film rights investment of approximately HK$176,622,000 based on the Group's investment portion as specified in respective film right investment agreements. The Group has recognised the net gain of approximately HK$137,973,000 as film rights investment income.

6. SEGMENT INFORMATION

The Chief Operating Decision Maker ("CODM") has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit/(loss) before income tax and considers all businesses to be included in a single operating segment.

The Group's operations are currently organised into one reportable segment which is investment in film and TV programmes rights. Other segments do not meet the reportable segment threshold thus they are not separately included in the reports provided to the CODM. The results of these operations are included in the 'others' column.

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

	Investment in film and TV programmes rights		Others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Represented)		(Represented)		(Represented)
Segment revenue						
Film rights investment income	**137,973**	–	**–**	–	**137,973**	–
Sublicensing and sales of film and TV programmes rights	**23,612**	52,772	**–**	–	**23,612**	52,772
Share of box office income	**12,761**	–	**–**	–	**12,761**	–
Property agency commission and service income in Hong Kong	**–**	–	**286**	437	**286**	437
	174,346	52,772	**286**	437	**174,632**	53,209
Timing of revenue recognition						
At a point of time	**36,373**	52,772	**286**	437	**36,659**	53,209
Segment (loss)/profit	**(244,921)**	(18,825)	**(521)**	4,039	**(245,442)**	(14,786)
Unallocated expenses					**(165,026)**	(80,371)
Finance costs, net					**(15,796)**	(2)
Loss before tax					**(426,264)**	(95,159)
Income tax expenses					**(18,429)**	–
Loss for the year					**(444,693)**	(95,159)
Other information (included in measure of segment (loss)/profit)						
Share-based payment	**(270,000)**	–	**–**	–		
Gain on change in fair value of investments held for trading	**–**	–	**–**	3,747		
Other income	**32**	4,661	**10**	1,415		
Depreciation of property, plant and equipment	**(1,164)**	(1,056)	**(1)**	(4)		
Amortisation of intangible assets	**(5,027)**	(2,251)	**–**	–		
Amortisation of film and TV programmes rights	**(80,477)**	(56,640)	**–**	–		
Loss on disposal of property, plant and equipment	**(29)**	–	**–**	–		
Impairment loss on available-for-sale financial assets	**–**	(208)	**–**	–		

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

	2018	2017
	HK$'000	*HK$'000*
Sundry income	**42**	2,858
Dividend income	**–**	588
Government grant *(Note)*	**–**	2,635
	42	6,081

Note: During the year ended 31 December 2018, no government grant was received (2017: Government grant of RMB2,279,000 (equivalent to approximately HK$2,635,000) was received from the People's Republic of China (the "PRC") government. There was no condition attached to such government grant.)

8. OTHER (LOSSES)/GAINS

	2018	2017
	HK$'000	*HK$'000*
Exchange loss, net	**(505)**	(2,475)
Gain from bargain purchase	**188**	–
Loss on disposal of property, plant and equipment	**(29)**	(10)
Gain on change in fair value of investments held for trading	**–**	3,747
Gain on disposal of art work	**–**	2,000
Impairment loss on available-for-sale financial assets	**–**	(208)
Reversal of impairment loss on trade receivables	**–**	34
	(346)	3,088

9. FINANCE COSTS, NET

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Bank interest income	**701**	152
Finance costs		
Interest on borrowings	**(6,612)**	(154)
Net exchange losses on foreign currency borrowings	**(9,885)**	–
	(16,497)	(154)
Net finance costs	**(15,796)**	(2)

10. INCOME TAX EXPENSE

Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT 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. No overseas profits tax has been calculated for subsidiaries of the Group that are incorporated in the BVI or Bermuda as they are exempted from tax (2017: same).

Income tax expense charged to the profit or loss represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax	**18,429**	–
Deferred income tax	**–**	–
	18,429	–

11. EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' remuneration and share-based compensation)	**38,045**	33,411
Directors' remuneration (excluding share-based compensation)	**21,056**	19,033
Share-based compensation		
– Directors	**28,129**	–
– Employees	**57,239**	–
Depreciation of property, plant and equipment	**2,361**	2,237
Legal and professional expenses	**12,692**	4,637
Travelling and entertainment expenses	**10,476**	8,878
Advertising and marketing expenses	**25,245**	549
Amortisation of intangible assets	**5,027**	2,251
Amortisation of film and TV programmes rights	**80,477**	56,640
Commission expense on property agency	**82**	181
Operating lease payments in respect of office premises and photocopying machines	**15,481**	14,953
Auditors' remuneration		
– Audit services	**2,670**	3,664
– Non-audit services	**30**	702
Other expenses	**15,786**	10,399
Total cost of revenue, selling and distribution costs and administrative expenses	**314,796**	157,535

12. DIVIDENDS

Neither dividends were paid, declared or proposed for the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of both reporting periods.

13. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

	2018	2017
Loss attributable to owners of the Company (in HK$'000)	**(444,693)**	(95,159)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands)	**2,812,850**	2,768,055
Basic and diluted loss per share (HK$)	**(0.16)**	(0.03)

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year (2017: same).

14. PREPAYMENT FOR FILM AND TV PROGRAMMES RIGHTS

	2018	2017
	HK$'000	*HK$'000*
Prepayment for investment of film and TV programmes rights *(Note)*	**358,248**	395,305
Prepayment for film director's fee	**11,974**	12,612
	370,222	407,917

Note: The prepayment for investment of film and TV programmes rights represented the prepayment made by the Group to respective parties in relation to the investment of film and TV programmes rights. The prepayment will form part of the contribution by the Group for the investment in the proposed film and TV programmes rights. The related terms of the investment will be further agreed between the respective parties upon the signing of the investment agreements.

15. FILM AND TV PROGRAMMES RIGHTS

	2018	2017
	HK$'000	*HK$'000*
Film and TV programmes rights completed *(Note a)*	**10,246**	10,779
Film and TV programmes rights under production *(Note a)*	**734,296**	471,603
Film rights investments *(Note b)*	**–**	23,980
Licensed film and TV programmes rights *(Note c)*	**18,077**	22,743
	762,619	529,105
Less:		
Current portion	**(744,542)**	(506,362)
	18,077	22,743

Notes:

(a) As at 31 December 2018, included in the film and TV programmes rights under production was a film right with incurred production cost of approximately HK$428,074,000 (2017: HK$373,540,000) 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 ("Jiayi Movie"), as the production house of the aforementioned film at a budgeted cost of RMB400,000,000 (equivalent to approximately HK$455,373,000), including the service fee to Jiayi Movie which is chargeable based on 5% of the total production cost of the film and film director fee to Mr. Ning Hao ("Mr. Ning"), the non-executive director of the Company, of RMB30,000,000 (equivalent to approximately HK$34,153,000). 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. An amount of approximately HK$5,862,000 (2017: HK$18,639,000) was paid to Mr. Ning as the aforementioned film director's fee and was recognised as film and TV programmes rights under production during the year ended 31 December 2018.

(b) The balance represented the Group's investments in film productions which entitled the Group to predetermined percentage of income to be generated from the films based on the proportion of investment amounts as specified in respective film right investment agreements.

(c) The balance represented the Group's investments in film and TV programmes right licenses. The Group acquired license rights from independent third parties for broadcasting licensed films or TV programmes series on its online video platform or sublicensing the license rights to other independent third parties.

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
– Sublicensing and sales of film and TV programmes rights	**2,946**	1,792
– Film rights investment	**136,225**	–
– Property agency commission and service income in Hong Kong	**349**	2,424
	139,520	4,216
Loss allowance	**(257)**	(2,175)
	139,263	2,041
Deposits	**6,219**	5,975
Prepayments	**1,575**	1,727
Other receivables	**229,856**	33,659
	237,650	41,361
Less: Amounts due within one year shown under current assets	**(232,042)**	(35,871)
Non-current portion	**5,608**	5,490

Trade receivables from sublicensing of film and TV programmes rights are usually received within 180 days from the date of delivery of the master copy or materials. Trade receivables from film and TV programmes 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 upon completion date of relevant agreements whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted.

At 31 December, the ageing analysis of the trade receivables, net of loss allowance, presented based on invoice date were as follows:

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
0–30 days	**139,170**	112
61–90 days	**–**	1,792
91–180 days	**93**	11
Over 180 days	**–**	126
	139,263	2,041

17. CONTRACT ASSETS AND LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2018	2017
	HK$'000	*HK$'000*
Current contract assets relating to content production	**5,220**	–
Loss allowance	**–**	–
Total contract assets	**5,220**	–
Current contract liabilities relating to content production	**528,652**	–

Contract assets represented unbilled revenue arisen from the sub-licensing of film and TV programmes rights in accordance with the payment term of the underlying contracts.

Contract liabilities mainly represented the receipt of RMB464,000,000 (equivalent to approximately HK$528,233,000) in respect of a guaranteed minimum distribution income total RMB700,000,000 (equivalent to approximately HK$796,903,000) from distribution of a film during the year ended 31 December 2018. This contract liability has been recognised as revenue subsequent to year end.

18. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**64,377**	13,679
Other payables	**15,285**	29,997
Accruals	**18,363**	10,408
	98,025	54,084

The carrying amounts of trade and other payables were approximated to their fair values.

At 31 December, the ageing analysis of the trade payables based on invoice date were follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**28,111**	60
91 – 180 days	**17,685**	5
181 – 365 days	**5,630**	2,823
Over 365 days	**12,951**	10,791
	64,377	13,679

19. AMOUNTS DUE TO RELATED PARTIES

	2018	2017
	HK$'000	*HK$'000*
Amounts due to a shareholder		
– Mr. Dong Ping *(note i)*	**1,393**	120,000
Amounts due to related companies		
– Beijing Dirty Monkey Cultural Development Company Limited *(note ii)*	**45,537**	–
– Khorgas Dirty Monkey Media Culture Company Limited *(note ii)*	**45,537**	–
	92,467	120,000

	2018	2017
	HK$'000	*HK$'000*
Prepayment for film and TV programmes rights		
– Mr. Xu Zheng ("Mr. Xu") *(Note iii)*	**11,974**	12,612

Note i: The balance is denominated in HK$, non-trade in nature, unsecured, interest-free and repayable on demand.

Note ii: The balance is denominated in RMB, non-trade in nature, unsecured, interest-free and repayable within one year.

Note iii: The balance represented the payment made to Mr. Xu in relation to the development of the proposed film.

The carrying amount of amount due to a shareholder and amounts due to related companies approximate their fair values.

20. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Other borrowings		
Secured	**220,364**	–
Unsecured	**74,943**	77,500
Total borrowings	**295,307**	77,500

All borrowings, borrowed from independent third parties, are repayable within one year.

The secured borrowings are secured by other receivables amounting to approximately HK$223,133,000 (2017: nil).

For the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

21. SHARE-BASED PAYMENTS

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2018	2017
	HK$'000	*HK$'000*
Share-based payment for cooperation with a film director	**270,000**	–
Options issued under share option scheme		
– Directors	**28,129**	–
– Employees	**57,239**	–
	355,368	–

22. PENDING LITIGATION

(i) A court action was commenced in the Chengdu Intermediate People's Court on 29 April 2018 by Chengdu Watson Media Co., Ltd. (the "Chengdu Plaintiff"), an independent third party, against Beijing Huanxi Shou Ying Culture Company Limited ("Shou Ying"), an indirect wholly-owned company through contractual arrangements, and other 17 investors of the film *Us and Them* ("後來的我們") (the "18 Defendants").

By the above action, the Chengdu Plaintiff alleged that the 18 Defendants through unfair competition adversely affect the box office receipts of the Chengdu Plaintiff's film during the release period of the film *Us and Them* ("後來的我們"). The Chengdu Plaintiff mainly requested the 18 Defendants to compensate a total sum of RMB10,000,000 (equivalent to approximately HK$11,384,000) and bear the relevant legal fee and reasonable expenses arising from their legal rights protection. One of the 18 Defendants is applying for transferring the case to Chaoyang District People's Court of Beijing for trial.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim against Shou Ying. The Company considers that the amounts of claim by the Chengdu Plaintiff against Shou Ying is insignificant to the Group as a whole.

(ii) A court action was commenced in the Wuhan Intermediate People's Court on 29 November 2018 by Wuhan Guangya Culture and Art Development Co., Ltd. and Huang Gansheng (the "Wuhan Plaintiffs"), independent third parties, against 17 related companies/persons of the film *Us and Them* ("後來的我們"), including Shou Ying (the "17 Defendants").

By the above lawsuit, the Wuhan Plaintiffs alleged that the 17 Defendants infringe on the right of adaptation and filming of their production and damage the interests of market through filming *Us and Them* ("後來的我們"). The Wuhan Plaintiffs mainly requested the 17 Defendants to stop the reproduction, distribution and dissemination of the film, compensate a total sum of RMB70,000,000 (equivalent to approximately HK$79,690,000) and bear the case acceptance fee and other legal fees.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim against Shou Ying. The Company considers that the amounts of claim by the Wuhan Plaintiffs against Shou Ying is insignificant to the Group as a whole.

23. EVENT AFTER THE REPORTING PERIOD

On 12 March 2019, the Group has signed a shares subscription agreement with Maoyan in relation to subscription of 7.5% enlarged ordinary share of the Company with consideration of approximately HK$390,556,000. The proceeds from the issuance of ordinary shares have been received in March 2019.

24. CHANGE IN PRESENTATION OF COMPARATIVES

Certain comparative figures of the consolidated financial statements were reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Huanxi Media has strived to provide film and TV productions high in both commercial and artistic value, giving audience excellent audio and visual experiences. In 2018, a number of films the Group invested in were released and earned both great word-of-mouth and box office receipts. The films and Internet drama series in production are expected to be released one by one in the coming one to two years, which will assure steady growth of the Group's film and TV business. During the year, the world renowned film director Zhang Yimou joined the Group as a shareholder director and promised to direct a number of film and TV productions for the Group, something to look forward to by the audience. Moreover, Huanxi Media and Maoyan Entertainment commenced strategic cooperation, the strategic cooperation are believed to enable both parties to achieve business synergy in various aspects, and help drive the rapid growth of "huanxi.com", the Group's new media online video platform. After working hard on perfecting all aspects of its operation from film and TV content creation to viewing channels for audience in the last few years, Huanxi Media has started to reap harvests from its investment.

INVESTMENT IN FILM AND TV PROGRAMMES RIGHTS BUSINESS

Based on the Group's revenue breakdown by segment, that from film and TV programmes rights investments reached HK$174,346,000 (2017: HK$ 52,772,000) for the year ended 31 December 2018, mainly from the box office receipts of *Us and Them* 《後來的我們》 and the blockbuster *Dying to Survive* 《我不是藥神》in 2018. Gross profit of this segment amounted to HK$89,111,000 (2017: gross loss of HK$6,119,000), obviously higher than that of last year. Major cost of revenue included amortisation of intangible assets of HK$4,758,000 (2017: HK$2,251,000) and amortization of film and TV programmes rights of HK$80,477,000 (2017: HK$56,640,000). The segmental loss amounted to HK$244,921,000 for the period (2017: segmental loss of HK$18,825,000). The increase in segmental loss was mainly due to the recognition of share-based payment expense of approximately HK$270,000,000 (non-cash in nature) for the allotment and issuance of 150,000,000 new shares during the year in respect of the cooperation with a film director.

As for films, *Ash Is Purest White* 《江湖兒女》, a romance movie directed by Jia Zhangke, was shortlisted for the top honor at the 71st Cannes Film Festival, evidencing the recognition it enjoys in the international movie community. It also received wide acclaims after it was released in Mainland China. *Us and Them*《後來的我們》, a directorial debut of the renowned Taiwanese singer Rene Liu, achieved impressive box office receipts of more than RMB1.3 billion after hitting the cinema screen in April 2018. Then, the film *Dying to Survive* 《我不是藥神》, with the Group as the main investor and producer, and Ning Hao and Xu Zheng as co-producers, scored 9.7 points on the Maoyan movie platform, a new record among domestic movies. It also bagged three major awards at the 55th Golden Horse Awards, namely Best Leading Actor, Best New Director and Best Original Screenplay, as well as the Best Screenplay at 42nd Montreal World Film Festival and the Best Film at 14th Changchun Film Festival, and prided box office receipts of more than RMB3.1 billion with high audience acclaims, contributing satisfactory revenue to the Group.

During the year, the Group signed a distribution agreement in relation to the film *Crazy Alien*《瘋狂的外星人》which is directed by Ning Hao and exclusive invested by the Group with guaranteed minimum box office receipts of RMB2,800,000,000. The Group is entitled to receive a guaranteed minimum distribution income of RMB700,000,000 (equivalent to approximately HK$796,903,000), while the guarantor has the exclusive right to distribute the film to cinemas in mainland cities, Hong Kong, Macau and Taiwan. Up to the date of this announcement, the Group has fully received RMB700,000,000 (equivalent to approximately HK$796,903,000). The revenue will be reflected in the interim result of the Group for the six months ended 30 June 2019.

As for the Internet drama business, the 12-episode *Paradise Guesthouse*《天堂旅館》which is the first Internet drama series produced and co-directed by Wong Kar Wai is expected to go into production this year.

As for development of online video platform, the Group announced during the year its partnership with the leading Internet and pan-entertainment platform Maoyan to develop new media business. Maoyan will be granted investment right and exclusive promotion and distribution rights of the Group's films and TV/Internet drama series and it will provide the Group's online video platform "huanxi.com" an access gateway on the Maoyan website and App plus relevant Internet technology support. Although "huanxi.com" is still in trial operation, it has a steadily growing population of registered users and the number of registered users is now over a million. The Group is optimizing and updating the content offerings, and its hope is that, via the partnership, it will be able to tap the tremendous user traffic of Maoyan to promote the "huanxi.com" video platform and attract more users to it, giving the Group the fuel to push ahead with operating and expanding its new media video platform.

In addition, the Group continued to explore opportunities to cooperate with famous international directors during the year. It succeeded in forging partnership with the world-renowned director Zhang Yimou, bringing him in as a shareholder director, thereby fortified its director team. According to the relevant cooperation agreement, Huanxi Media has exclusive rights to invest in three Internet drama series or films directed by Zhang Yimou in the coming six years. Zhang Yimou's international award winning works enjoy high acclaims and boast box office guarantee. Therefore, the Group believes this cooperation will enhance the clout of "Huanxi Media" as a brand in films and Internet drama series production.

OTHER BUSINESSES

The Group's other businesses include property agency business and securities trading and investments business. For the year ended 31 December 2018, the Group's other businesses recorded revenue of HK$286,000 (2017: HK$437,000) and segmental loss of HK$521,000 (2017: segmental profit of HK$4,039,000). This 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.

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2018, the Group recorded revenue and film investment income of HK$174,632,000 (2017: HK$53,209,000), representing 2.28 times increase in revenue compared with corresponding period of last year, the revenue was mainly derived from the films *Us and Them* 《後來的我們》 and *Dying to Survive* 《我不是藥神》 in which the Group made investment. The gross profit was HK$89,315,000 (2017: gross loss of HK$5,863,000), representing a sharp increase in gross profit compared with corresponding period of last year. The loss attributable to the owners of the Company of HK$444,693,000 (2017: HK$95,159,000). The increase in loss was mainly due to (i) the recognition of share-based payment expense of approximately HK$85,368,000 (non-cash in nature) for granting 130,700,000 share options during the year; and (ii) the recognition of share-based payment expense of approximately HK$270,000,000 (non-cash in nature) for the allotment and issuance of 150,000,000 new shares during the year in respect of the cooperation with a film director.

Excluding the recognition of share-based payments of HK$355,368,000 (2017: nil), the loss attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately HK$89,325,000 (2017: HK$95,159,000), representing an decrease in loss of approximately 6.13% comparing with corresponding period of last year.

For the year ended 31 December 2018, loss per share of the Group amounted to HK$0.16 (2017: HK$0.03) and net asset value per share attributable to owners of the Company was HK$0.23 (2017: HK$0.29).

Liquidity and Financial Resources

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and borrowings. As at 31 December 2018, the Group had net current assets of HK$244,714,000 (2017: HK$329,083,000), with cash and cash equivalents of HK$158,528,000 (2017: HK$39,169,000). As at 31 December 2018, the total equity of the Company amounted to HK$658,668,000 (2017: HK$792,167,000) with total borrowings of HK$387,774,000 (2017: HK$197,500,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.37 (2017: 0.20) as at 31 December 2018. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2018, the Company had 2,918,055,408 ordinary shares (2017: 2,768,055,408) of HK$0.01 each in issue (the "Share" or "Shares").

During the year ended 31 December 2018, the movement in the issued Shares of the Company are as follows:

- On 14 September 2018, the Company allotted and issued 150,000,000 Shares to Unique Swift Limited pursuant to the agreement and amended and restated agreement dated 24 May 2018 and 11 September 2018 respectively. These Shares represent approximately 5.14 % of the issued Shares of the Company as enlarged by such issuance.

Charges on Assets

As at 31 December 2018, the Group's secured borrowings of HK$220,364,000 were secured by other receivables amounting to approximately HK$223,133,000 (2017: nil).

Foreign Exchange Exposure

The Group's cash flow from operations, 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 under review, 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 2018, save as disclosed in note 22 "Pending Litigation" to consolidated financial statements, the Group had no significant contingent liabilities (2017: nil).

Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

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 2018, the Group had 84 employees (2017: 74). It hired more employees during the year under review to support the expanding of its media, entertainment and related businesses. 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

In this opportune time with favorable government policies backing the industry, the Group has been actively creating quality original contents, with the aim of developing into a leading all-round media and entertainment group in the Greater China region. The Group is preparing and producing a number of quality films and Internet drama series and expects to continuously deliver outstanding film and TV contents to audiences in the PRC. Such quality contents, the Group believes, will bring abundant returns.

People are the core resource of the film and TV industry. The Group has thus worked hard on rallying top directors in the PRC and, to date, it has seven shareholder directors, namely Zhang Yimou, Ning Hao, Xu Zheng, Wong Kar Wai, Chan Ho Sun Peter, Zhang Yibai and Gu Changwei. It has also forged close cooperation relationship with famous directors, at home and abroad, including Jia Zhangke, Manfred Wong, Wang Xiaoshuai, Li Yang and Chen Daming. Capitalizing on its win-win operational model emphasising on offering original contents and the top content creation capability of all partner directors, it endeavors to establish a film and TV platform that can meet diverse market demands. In the future, the Group will continue to look for opportunities to cooperate with more top directors and assist young directors, in a bid to gradually enhance its core competitive advantages in the film and TV production sector.

Furthermore, the Group has also been active in building "huanxi.com" that agrees with the burgeoning online viewing trend. Unlike existing video broadcast websites, the platform carefully selects and offers various quality films and TV productions to audiences, allowing them to enjoy their preference contents at ease without spending time and effort searching for them. With premium contents to offer and importance of content being the trend, the Group believes "huanxi.com" shall be able to win more loyal users. The Group is confident that the online video platform business will become one of its future growth drivers.

Conclusion

With the Chinese people spending more and more on cultural entertainment, the film and TV industry has a strong impetus to achieve sustainable growth. At the second anniversary of the enactment of the "Film Industry Promotion Law", the China Film Administration issued another notice on promoting the prosperous development of the film market, giving the growing film market yet another shot in the arm.

Looking ahead, the Group will stay true to its original aspiration, which is to create outstanding original film and TV productions. With an industry-leading content creation team and a flexible management and operational model, the Group will optimize its strategically deployed industrial chain that stretches full length from film and TV content creation, shooting and production to distribution and promotion, as well as building an online video platform that offers diverse film and TV contents, so as to further consolidate and sharpen its competitive advantages and generate greater long-term returns for shareholders.

OTHER INFORMATION

Corporate Governance Practices

Throughout the year ended 31 December 2018, 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 on The Stock Exchange of Hong Kong Limited except for the following deviation:

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. Li Xiaolong (independent non-executive Director), was unable to attend the annual general meeting of the Company held on 29 June 2018 due to his other engagement.

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

During 2018, 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 2018.

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

Hong Kong, 26 March 2019

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. Su Tuong Sing, David and Mr. Li Xiaolong as independent non-executive Directors.