歡 喜 傳 媒 集 團 有 限 公 司*

HUANXI MEDIA GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "**Board**") of Huanxi Media Group Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 together with the comparative amounts for the corresponding period in 2017. The unaudited condensed consolidated interim financial statements of the Group have been reviewed by the Company's Audit Committee.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**84,988**	107
Cost of sales and service rendered		**(70,074)**	(37)
Gross profit		**14,914**	70
Other income	4	**657**	3,306
Other gains and losses	5	**(9,494)**	2,602
Selling and distribution costs		**(341)**	(303)
Administrative expenses		**(49,496)**	(41,185)
Share-based payments		**(65,469)**	–
Finance costs		**(2,379)**	–
Loss before tax		**(111,608)**	(35,510)
Income tax expense	6	**–**	–
Loss for the period	7	**(111,608)**	(35,510)
Other comprehensive (expense) income for the period			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency		**(7,931)**	25,179
Total comprehensive expense for the period		**(119,539)**	(10,331)
Loss for the period attributable to owners of the Company		**(111,608)**	(35,510)
Total comprehensive expense for the period attributable to owners of the Company		**(119,539)**	(10,331)
Loss per share			
– Basic (HK dollar)	9	**(0.04)**	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**30 June 2018 *HK$'000* (Unaudited)**	31 December 2017 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,075**	5,917
Intangible assets		**19,781**	21,017
Rental deposits	12	**5,463**	5,490
Prepayment for film and TV rights	10	**384,764**	407,917
Film and TV rights	11	**20,621**	22,743
		438,704	463,084
CURRENT ASSETS			
Film and TV rights	11	**487,841**	491,090
Trade and other receivables, deposits and prepayments	12	**128,972**	53,184
Bank balances and cash		**51,622**	39,169
		668,435	583,443
CURRENT LIABILITIES			
Trade and other payables	13	**89,200**	54,084
Amount due to a related party	14	**153,795**	120,000
Borrowings	15	**119,660**	77,500
Tax payable		**6,387**	2,776
		369,042	254,360
NET CURRENT ASSETS		**299,393**	329,083
NET ASSETS		**738,097**	792,167
CAPITAL AND RESERVES			
Share capital		**27,681**	27,681
Reserves		**710,416**	764,486
TOTAL EQUITY		**738,097**	792,167

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Investments in film and TV rights
- Property agency
- Securities trading and investments

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.

Key changes in accounting policies resulting from application of HKFRS 15

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 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.

Summary of effects arising from initial application of HKFRS 15

The revenue of the Group is recognised at a point of time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements.

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Key changes in accounting policies resulting from application of HKFRS 9

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of bank balances, and are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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 – Provision of property agency and related services in Hong Kong

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:

SEGMENT REVENUE AND RESULTS (UNAUDITED)

	Investment in film and TV rights Six months ended 30 June		Property agency Six months ended 30 June		Securities trading and investments Six months ended 30 June		Consolidated Six months ended 30 June	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
– External sales net of tax	**84,748**	–	**240**	107	**–**	–	**84,988**	107
Segment (loss) profit	**(12,971)**	(8,801)	**(399)**	(427)	**–**	4,182	**(13,370)**	(5,046)
Unallocated corporate income							**552**	2,042
Unallocated corporate expenses							**(41,082)**	(32,506)
Unallocated share-based payments							**(57,708)**	–
Loss before tax							**(111,608)**	(35,510)
Other information (included in measure of segment (loss) profit								
Gain on change in fair value of investments held for trading	**–**	–	**–**	–	**–**	3,747	**–**	3,747
Other income	**94**	2,667	**11**	9	**–**	588	**105**	3,264
Depreciation of property, plant and equipment	**(951)**	(472)	**(1)**	(3)	**–**	–	**(952)**	(475)
Amortisation of intangible assets	**(2,390)**	–	**–**	–	**–**	–	**(2,390)**	–
Amortisation of film and TV rights	**(12,278)**	–	**–**	–	**–**	–	**(12,278)**	–
Share-based payments	**(7,761)**	–	**–**	–	**–**	–	**(7,761)**	–
Reversal of impairment loss on trade receivables	**–**	–	**–**	34	**–**	–	**–**	34

All of the segment revenue reported above was derived from external customers.

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

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank deposits	**573**	125
Dividend income	**–**	588
Government grant	**–**	2,584
Sundry income	**84**	9
	657	3,306

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Exchange loss, net	**(9,492)**	(3,179)
Loss on disposal of property, plant and equipment	**(2)**	–
Gain on change in fair value of investments held for trading	**–**	3,747
Gain on disposal of art work	**–**	2,000
Reversal of impairment loss on trade receivables	**–**	34
	(9,494)	2,602

6. INCOME TAX EXPENSE

Under the Law of the People's Republic of China (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. No provision for the PRC enterprise income taxes was provided for the six months ended 30 June 2018 as the Group has tax losses brought forward to offset against the estimated assessable profit in the PRC. No provision for the PRC enterprise income taxes was provided for the six months ended 30 June 2017 as the subsidiaries operated in the PRC had no assessable profits.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong profit tax was provided since there are no assessable profits in Hong Kong for the both periods.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration, including retirement benefits scheme contributions	**6,122**	6,077
Other staff costs	**15,232**	12,767
Other staff's retirement benefits scheme contributions	**2,217**	1,587
Total staff costs	**23,571**	20,431
Depreciation of property, plant and equipment	**1,548**	1,059
Amortisation of intangible assets	**2,390**	–
Amortisation of film and TV rights	**12,278**	–
Commission expense on property agency	**69**	37
Operating lease payments for office premises	**7,695**	7,406

8. DIVIDENDS

Neither dividends were paid, declared or proposed for the six months ended 30 June 2018 and 2017, nor has any dividend been proposed since the end of both reporting periods.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(111,608)**	(35,510)

	Number of ordinary shares Six months ended 30 June	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,768,055**	2,768,055

The computation of diluted loss per share for the six months ended 30 June 2018 does not assume the conversion of the Company's outstanding share options as at 30 June 2018 since their assumed exercise would result in a decrease in loss per share.

Diluted loss per share for the six months ended 30 June 2017 is not presented as there were no dilutive potential ordinary shares in issue during prior period.

10. PREPAYMENT FOR FILM AND TV RIGHTS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Master China Films Limited *(Note a)*	**118,315**	119,904
Mr. Chan Ho Sun Peter *(Note b)*	**106,436**	107,866
Rui Zhi Workshop Company Limited *(Note c)*	**5,129**	5,197
Mr. Gu Changwei *(Note d)*	**34,773**	35,240
Mr. Zhang Xiaoling (also known as Zhang Yibai) *(Note e)*	**63,890**	64,748
Mr. Chen Daming *(Note f)*	**14,198**	14,388
Dongchun Films Co., Limited *(Note g)*	**23,663**	23,981
Xstream Pictures (Beijing) Limited *(Note h)*	**5,916**	11,991
Mr. Xu Zheng *(Note i)*	**12,444**	12,612
Shanghai Shigu Film Co., Limited *(Note j)*	**–**	11,990
	384,764	407,917

(a) The Group prepaid an amount of RMB100,000,000 (equivalent to approximately HK$118,315,000) during the year ended 31 December 2016 in relation to the production of the proposed internet drama series by Mr. Wong Kar Wai. The prepayment will form part of the contribution by the Group for the production cost of the proposed internet drama series (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

As at 30 June 2018, the Group agreed to invest in an internet drama series to be produced by Master China Films Limited with an amount of RMB23,000,000 (equivalent to approximately HK$27,212,000) but the Group is awaiting the finalisation of the relevant investment agreement.

(b) The Group prepaid an amount of RMB89,960,000 (equivalent to approximately HK$106,436,000) during the year ended 31 December 2016 in relation to the production of the proposed films. The prepayment will form part of the contribution by the Group for the production cost of the proposed films (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

As at 30 June 2018, the Group is in the process of discussion with Mr. Chan Ho Sun Peter for the film and TV rights investment plan and there is no acceptance for any investment in film production.

(c) The Group prepaid an amount of RMB8,685,000 (equivalent to approximately HK$10,276,000) during the year ended 31 December 2016 in relation to the production of the proposed films. The prepayment will form part of the contribution by the Group for the production cost of the proposed films (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

During the year ended 31 December 2017, the Group agreed to invest in a film to be produced by Rui Zhi Workshop Company Limited, in which an amount of RMB4,350,000 (equivalent to approximately HK$5,147,000) was transferred to film and TV rights after the Group entered into the relevant film investment agreement. In addition, the Group agreed to invest in a film and development cost amounted to HK$2,410,000 was incurred up to 30 June 2018. The Group is awaiting the finalisation of the relevant investment agreement.

(d) During the year ended 31 December 2017, the Group prepaid an amount of RMB50,000,000 (equivalent to approximately HK$59,158,000) in relation to the production of the proposed films and internet drama series to Mr. Gu Changwei. The prepayment will form part of the contribution by the Group for the production cost of the proposed films and internet drama series (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

During the year ended 31 December 2017, an amount of RMB20,610,000 (equivalent to approximately HK$24,385,000) was transferred from prepayment to film and TV rights after the Group entered into the relevant film investment agreement. In addition, the Group agreed to invest in a film and development cost amounted to RMB3,835,000 (equivalent to approximately HK$4,537,000) was incurred up to 30 June 2018. The Group is yet to finalise the relevant film investment agreement.

(e) During the year ended 31 December 2017, the Group prepaid an amount of RMB54,000,000 (equivalent to approximately HK$63,890,000) in relation to the production of the proposed films and internet drama series. The prepayment will form part of the contribution by the Group for the production cost of the proposed films and internet drama series (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

As at 30 June 2018, the Group agreed to invest in certain internet drama series to be produced by Mr. Zhang Xiaoling (also known as Zhang Yibai) and development cost amounted to RMB3,384,000 (equivalent to approximately HK$4,004,000) was incurred up to 30 June 2018. The Group is yet to finalise the relevant film investment agreement.

(f) During the year ended 31 December 2017, the Group prepaid an amount of RMB12,000,000 (equivalent to approximately HK$14,198,000) in relation to the production of proposed films and internet drama series. The prepayment will form part of the contribution by the Group for the production cost of the proposed films and interest drama series (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

As at 30 June 2018, the Group is still negotiating with Mr. Chen Daming for the film and TV rights investment plan and there is no acceptance for any investment in film and internet drama series production.

(g) The Group prepaid an amount of RMB20,000,000 (equivalent to approximately HK$23,663,000) during the year ended 31 December 2017 in relation to the production of proposed films and internet drama series to Dongchun Films Co., Limited. The prepayment will form part of the contribution by the Group for the production cost of the proposed films and internet drama series (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

As at 30 June 2018, the Group agreed to invest in an internet drama series and development cost amounted to RMB6,242,000 (equivalent to approximately HK$7,385,000) was incurred up to 30 June 2018. The Group is yet to finalise the relevant film investment agreement.

(h) During the year ended 31 December 2017, the Group prepaid an amount of RMB20,000,000 (equivalent to approximately HK$23,663,000) in relation to the development of proposed films and the Group agreed to invest in a film to be produced by Xstream Pictures (Beijing) Limited. The prepayment will form part of the contribution by the Group for the production cost of the proposed films (which is subject to acceptance by the Group before investment). The budgeted production cost will be provided to the Group and the related payment terms of such production cost will be further agreed between the respective parties.

As at 30 June 2018, an amount of RMB15,000,000 (equivalent to approximately HK$17,747,000) was transferred from prepayment to film and TV rights after the Group entered into the relevant film investment agreement.

(i) During the year ended 31 December 2017, the Group agreed to invest in a film to be directed by Mr. Xu Zheng ("**Mr. Xu**"), a non-executive director of the Company, and the Group made a prepayment of film director's fee of RMB10,518,000 (equivalent to approximately HK$12,444,000) to Mr. Xu for development of the proposed film. Other terms of the film production will be further agreed between the Group and respective parties.

(j) During the year ended 31 December 2017, the Group agreed to invest in a film to be produced by Shanghai Shigu Film Co., Limited, and the Group made a prepayment of RMB10,000,000 (equivalent to approximately HK$11,832,000). The prepayment will form part of the production cost of the proposed film and other terms of the film production will be further agreed between the Group and respective parties. During the six months ended 30 June 2018, an amount of RMB10,000,000 (equivalent to approximately HK$12,264,000) was transferred from prepayment for film and TV rights to cost of sales after the Group recognised the revenue of the relevant film investment.

11. FILM AND TV RIGHTS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Film and TV rights completed *(Note a)*	**10,648**	10,779
Film and TV rights under production *(Note a)*	**431,257**	384,331
Film rights investments *(Note b)*	**45,936**	95,980
Licensed film and TV rights *(Note c)*	**20,621**	22,743
	508,462	513,833

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Analysed for reporting purposes as:		
– Current assets	**487,841**	491,090
– Non-current assets	**20,621**	22,743
	508,462	513,833

(a) The balance of film and TV rights under production represented costs associated with the production of films including remuneration for the film director, casts and production crew, costumes, insurance, makeup and hairdressing as well as rental of camera and lighting equipment. Film and TV rights under production were transferred to film and TV rights completed upon completion of production.

Included in the film and TV rights under production as at 30 June 2018, there was a film right with incurred production cost of HK$390,896,000 (31 December 2017: HK$373,540,000) in respect of the production of a film *Crazy Alien* (瘋狂的外星人) in the PRC.

(b) The balance represented the Group's investments in film productions which entitled the Group to share certain 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 rights licenses. The Group acquired license rights from independent third parties for broadcasting licensed films or TV drama series on its online video platform or sublicensing the license rights to other independent third parties.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Trade receivables	**75,841**	4,216
Less: allowance for doubtful debts	**(2,175)**	(2,175)
	73,666	2,041
Prepayment on film script fee	**15,070**	15,272
Other deposits paid	**558**	556
Rental deposits paid – non-current	**5,463**	5,490
Prepayments	**639**	1,656
Other receivables	**39,039**	33,659
	134,435	58,674
Less: Amounts due within one year shown under current assets	**(128,972)**	(53,184)
Amounts shown under non-current assets	**5,463**	5,490

Trade receivables from sublicensing of film and TV 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 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.

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
0–30 days	**73,553**	112
31–60 days	**13**	–
61–90 days	**1**	1,792
91–180 days	**3**	11
Over 180 days	**96**	126
	73,666	2,041

13. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**1,616**	1,701
Other payables	**62,736**	29,997
Accruals	**7,432**	10,408
Film and TV rights investment payable	**17,416**	11,978
	89,200	54,084

As at 30 June 2018, trade payables of HK$1,616,000 (31 December 2017: HK$1,701,000) represented mainly the commissions payables to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

As at 30 June 2018 and 31 December 2017, other payables mainly comprised of receipts in advance, service fee payable for developing an online video platform, accrued directors' and staff costs and other sundry creditors.

14. AMOUNT DUE TO A RELATED PARTY

As at 30 June 2018, Mr. Dong Ping, an executive director and a substantial shareholder of the Company, made an advancement of HK$153,795,000 (31 December 2017: HK$120,000,000) to the Company to strengthen the Group's general working capital. The advancement is unsecured and non-interest bearing.

Subsequent to the end of the reporting period, the entire advancement of HK$153,795,000 has been repaid to Mr. Dong Ping.

15. BORROWINGS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Borrowings due within one year	**119,660**	77,500

As at 30 June 2018, the Group entered into four loan agreements with four independent third parties for borrowings of approximately HK$119,660,000. The borrowings were unsecured and carried fixed interest rates range from 3.0% to 15.0% per annum. Subsequent to the end of the reporting period, three borrowings of HK$100,930,000 have been repaid to the independent third parties.

16. PENDING LITIGATION

A court action was commenced in the Chengdu Intermediate People's Court on 29 April 2018 by Chengdu Watson Media Co., Ltd. (the "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 Plaintiff alleged that the 18 Defendants through unfair competition adversely affect the box office receipts of the Plaintiff's film during the release period of the film Us and Them (後來的我們). The Plaintiff mainly requested the 18 Defendants to compensate a total sum of RMB10,000,000 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 Plaintiff against Shou Ying is insignificant to the Group as a whole.

17. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 July 2018, the Company and Tianjin Maoyan Weiying Media Company Limited (天津貓眼微影文化傳媒有限公司)(the "**Maoyan**") entered into the cooperation agreement. Pursuant to the cooperation agreement and conditional upon satisfaction of the conditions precedent, it is proposed that the Company intends to allot and issue, and Maoyan intends to subscribe for approximately 15.00% of shares in the issued share capital of the Company as enlarged by the subscription shares under the subscription at a subscription price of HK$1.95067 per share. Based on the current number of 2,768,055,408 issued shares of the Company, the subscription shares should be approximately 488,480,000 shares. The proceeds from the subscription will be approximately HK$952,863,000 which will be applied by the Company towards the development of its online video platform, film and TV rights investments and general working capital.

Pursuant to the cooperation agreement and conditional upon satisfaction of the conditions precedent, the Company and Maoyan will cooperate in the following business areas: (i) Maoyan will be granted the investment right and exclusive promotion and distribution rights to the Group's films and TV/internet drama series projects; (ii) Maoyan will provide a services entrance on its website and APP for the Group's new media video content and services, while also leveraging off its resources to promote the Group's new media video content and services; and (iii) Maoyan will make use of its internet resources and technologies to facilitate the operations and expansion of the Group's new media video content and services. The Company and Maoyan will further negotiate details of the subscription agreement and the strategic cooperation, and enter into a definitive agreement for the implementation of the cooperation agreement.

(b) On 5 July 2018, Huan Huan Xi Xi (Tianjin) Culture Investment Limited (歡歡喜喜(天津)文化投資有限公司)(an indirect wholly-owned subsidiary of the Company) entered into a minimum guaranteed distribution agreement with the minimum guarantor in relation to the film *Crazy Alien* (瘋狂的外星人) (the "**Film**"), where the minimum guarantor shall have the exclusive right to distribute the Film through cinema circuits and cinemas in cities located in the PRC and the region of Hong Kong, Macau and Taiwan, from the effective date of the minimum guaranteed distribution agreement to the expiry of the tenth anniversary of the first release date of the Film. Pursuant to the minimum guaranteed distribution agreement, both parties agreed the minimum guaranteed amount of the box office receipts be RMB2,800,000,000 (equivalent to approximately HK$3,435,583,000), the Group shall have the right to receive a guaranteed minimum distribution income of RMB700,000,000 (equivalent to approximately HK$858,896,000) in relation to the Film; in the event that the gross box office receipts of the Film are higher than RMB2,800,000,000 (equivalent to approximately HK$3,435,583,000), in addition to the aforementioned consideration, the parties may distribute the excess in proportion to the net income of the Film: being 30% for the Group and 70% for the minimum guarantor.

In addition, as a part of the minimum guaranteed distribution agreement, the minimum guarantor shall be responsible for and bear relevant expenses for the promotion, marketing and distribution of the Film, while the estimated promotion and distribution expenses of RMB200,000,000 (equivalent to approximately HK$245,399,000) shall be borne by the minimum guarantor.

After signing the minimum guaranteed distribution agreement, the Group will continue to retain other rights attached to the Film, including income generated from its benefits in relation to the Film, including the distribution right in other overseas cinema circuits and cinemas, as well as the new media broadcasting right in the PRC and overseas. The Film is preliminarily set to be officially released in cinema circuits and cinemas in the PRC in February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Regarding films investment, two films productions invested by the Group hit the big screen in the first half year. *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 RMB1.36 billion and contributed significant revenue to the Group in the first half year. The Group has already brought to the market another successful film in the second half year. The film *Dying to Survive* (我不是藥神), invested and produced by the Group, and co-produced by Ning Hao and Xu Zheng drew market attention after it was released nationwide in early July this year. A vivid depiction of a social phenomenon and with humanity at heart, the movie captured the public eye. Its box office receipts were impressive and received public praises. As of the end of July, its box office receipts in the PRC had surpassed the RMB3 billion mark. According to the data of Maoyan.com (貓眼電影), as at the date hereof, the Group as the major producer currently holds second place in terms of total box office receipts in the year 2018. These demonstrated the Group's sound investment vision whiling laying a solid foundation for the Group's full-year revenue and results.

The Group has been implementing strategies to develop itself into a leading entertainment enterprise in the PRC. It has actively rallied top renowned directors and outstanding production crews to join the Huanxi team, aiming to create quality film and TV productions. Currently, the Group has a pool of top shareholder directors including Xu Zheng, Ning Hao, Wong Kar Wai, Chan Ho Sun Peter, Zhang Xiaoling (also known as Zhang Yibai) and Gu Changwei. Moreover, the Group has signed cooperation agreements with a number of well-known directors and producers including Jia Zhangke, Manfred Wong, Wang Xiaoshuai, Liu Xingang, Li Yang and Chen Daming to jointly develop quality film and TV contents. In addition, the Group is finalising the introduction of the world- famous director Zhang Yimou as a new shareholder director to strengthen its director team and help it develop internet drama series and films.

Spotting the huge potential of new media online film and TV platforms, the Group has built its own quality online video platform "huanxi.com" (歡喜首映) to cater for demands of online users in the PRC, as well as actively introduced reputable international directors to help enrich its quality film and TV reserves. Although the online video platform "huanxi.com" (歡喜首映) is still in trial run, the Group has kept optimising and updating the productions and contents on the platform which currently has more than 400,000 users registered and counting. In early July this year, the Group also signed a cooperation agreement with Tianjin Maoyan Weiying Media Company Limited (天津貓眼微影文化傳媒有限公司) ("**Maoyan**"), a leading internet film and entertainment platform company in the PRC, and is currently finalising details of the strategic cooperation. The partnership is expected to drive the rapid growth of the Group's new media online video platform.

Following the recognition of notable revenue from *Dying to Survive* (我不是藥神) and *Crazy Alien* (瘋狂的外星人) in the second half of this year and first half of next year respectively, the Group will begin to reap harvest of its investments.

Investment in Film and TV Rights Business

For the six months ended 30 June 2018, the investment in film and TV rights business recorded a revenue of HK$84,748,000 (30 June 2017: nil), representing a significant increase in revenue compared with last corresponding period. The revenue was mainly derived from the film *Us and Them* (後來的我們) in which the Group made investment. The gross profit of this segment was HK$14,744,000 (30 June 2017: nil), representing a significant increase in gross profit compared with last corresponding period. Major cost of sales included investment in film rights of HK$55,337,000 (30 June 2017: nil) and amortisation of film and TV rights of HK$12,278,000 (30 June 2017: nil). Mainly after the deduction of administrative expenses of HK$18,232,000 (30 June 2017: HK$13,249,000) and recognition of share-based payments (due to grant of share options on 27 April 2018) of HK$7,761,000 for this segment (30 June 2017: nil), the segment recorded a loss of HK$12,971,000 for the period (30 June 2017: a segment loss of HK$8,801,000).

Property Agency Business and Securities Trading and Investments Business

For the six months ended 30 June 2018, the Group's property agency business recorded revenue of HK$240,000 (30 June 2017: HK$107,000) and segmental loss of HK$399,000 (30 June 2017: HK$427,000). Meanwhile, the Group's securities trading and investments business did not record any profit/loss (30 June 2017: segmental profit of HK$4,182,000). The segments shrank mainly because the management has allocated more resources to media, entertainment and related businesses, which are the Group's major growth drivers.

FINANCIAL REVIEW

Review of Results

During the review period, the Group recorded revenue of HK$84,988,000 (30 June 2017: HK$107,000) , representing 793 times increase in revenue compared with last corresponding period, the revenue was mainly derived from the film *Us and Them* (後來的我們) in which the Group made investment. The gross profit was HK$14,914,000 (30 June 2017: HK$70,000), representing 212 times increase in gross profit compared with last corresponding period.

The loss attributable to the owners of the Company of HK$111,608,000 (30 June 2017: HK$35,510,000). The increase in loss was mainly caused by the recognition of share-based payments (due to grant of share options on 27 April 2018) of HK$65,469,000 (30 June 2017: nil), exchange loss of HK$9,492,000 (30 June 2017: HK$3,179,000) and amortisation of film and TV rights of HK$12,278,000 (30 June 2017: nil).

Excluding the recognition of share-based payments of HK$65,469,000 (30 June 2017: nil), a non-cash item, and exchange loss of HK$9,492,000 (30 June 2017: HK$3,179,000), the loss attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately HK$36,647,000 (30 June 2017: HK$32,331,000), representing an increase in loss of approximately 13.35% comparing with the last corresponding period.

For the six months ended 30 June 2018, loss per share of the Group amounted to HK$0.04 (30 June 2017: HK$0.01) and net asset value per share attributable to the owners of the Company was HK$0.27 (31 December 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 30 June 2018, the Group had net current assets of HK$299,393,000 (31 December 2017: HK$329,083,000), with bank balances and cash of HK$51,622,000 (31 December 2017: HK$39,169,000). As at 30 June 2018, the total equity of the Company amounted to HK$738,097,000 (31 December 2017: HK$792,167,000) with total borrowings of HK$273,455,000 (31 December 2017: HK$197,500,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.27 (31 December 2017: 0.20) as at 30 June 2018. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2018, the Company had 2,768,055,408 ordinary shares of HK$0.01 each in issue.

Charges on Assets

As at 30 June 2018, the Group did not have any charges on assets (31 December 2017: nil).

Exposure to Exchange Rate

The Group's cash flow from operation, cash on hand and assets are denominated mainly in Hong Kong dollars, US dollars and Renminbi. Presently, the Group does not have any currency hedging policy, but it will closely monitor the changes of the Renminbi exchange rate and will strive to mitigate the impact of currency fluctuation on the Group's financial position as well as seek to minimise any adverse impact on financial risk.

Risk Management

During the period under review, the Group regularly reviewed the risk and credit control systems of its profit centers in order to improve the overall controlling system and mitigate credit risk. This also ensures that the Group is capable of effectively conducting business operations and facilitates further development. There have been no significant changes in the Group's risk management policy since 31 December 2017.

Contingent Liabilities

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: nil).

Employees and Remuneration Policies

As at 30 June 2018, the Group had 73 employees (31 December 2017: 73) and 1 agent (31 December 2017: 1). Employees are remunerated based on their positions, capability and work performance as well as industry trends. The Group evaluates the performance of employees regularly, and employees' remunerations and promotions are based on the evaluation results.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Prospects

2018 is a prosperous year for film industry of China. China, with total box office receipts in the first quarter exceeding RMB20 billion, overtook North America of the US$2.89 billion (approximately RMB18.3 billion) in the same period, topping the world for the first time with the highest quarterly box office receipts recorded by a single country. According to statistics of the Film Bureau of the State Administration of Press, Publication, Radio, Film and Television, as at 30 June 2018, total box office receipts of movies released in China amounted to RMB32.031 billion, up by 17.82% year-on-year. And, cinemas admitted a total of 901 million viewers, representing a growth of 15.34% year-on-year. The box office receipts of made-in-China films was RMB18.965 billion, a surge of 80.1% when compared with the last corresponding period, accounting for 59.21% of China's total box office receipts in the first half year, which was indicative of their dominance in China's film market.

Following right after the success of *Us and Them* (後來的我們) which was released in the first half of the year and boasted an impressive box office receipts of more than RMB1.36 billion, the Group released another major production of the year *Dying to Survive* (我不是藥神) at the beginning of the second half year. The film with the Group as investor and producer, and co-produced by Xu Zheng and Ning Hao, starred Xu Zheng, Zhou Yiwei and Wang Chuanjun and others scored 9.7 on the Maoyan movie platform, the highest thus far among local films in the PRC. The film was such a great success as the audience was able to, in laughter and tears, appreciate the resilience of and warmth in life and bring positive energy. The film achieved total box office receipts exceeding RMB3 billion as at the end of July. Revenue recognised from this film will be booked in the second half of this year.

In addition, in early July this year, the Group signed a distribution agreement with guaranteed minimum box office receipts of RMB2.8 billion in relation to the film *Crazy Alien* (瘋狂的外星人). The guarantor shall have the exclusive right to distribute the film through cinemas in cities in the mainland and in Hong Kong, Macau and Taiwan, and shall also be responsible for relevant promotion and distribution expenses in the amount of RMB200 million, whereas the Group shall receive a guaranteed minimum distribution income of RMB700 million. And, if the gross box office receipts of the film exceed RMB2.8 billion, the Group would receive an extra 30% from the excess in proportion to the net income of the film. The Group will retain the film's new media broadcasting right in the PRC and overseas and distribution right in other overseas cinemas. Directed by Ning Hao, starring famous comedy actors Huang Bo and Shen Teng, *Crazy Alien* (瘋狂的外星人) is a long-anticipated comedy film of the year and is expected to hit the screen next year during the Chinese New Year. Revenue recognised from the film will be booked in the first half of next year.

Furthermore, several films the Group invested in will be released in the coming one to two years. *Ash Is Purest White* (江湖兒女), a romance movie directed by Jia Zhangke, is scheduled for release nationwide in late September this year. Starring Liao Fan and Zhao Tao, it tells a love story of more than 15 years starting in 2001 in the outskirts of Shanxi province. The film was shortlisted as a contender of the top honour at the 71st Cannes Film Festival in April this year, speaking clearly to the recognition it enjoys in the international movie community. It is expected to become a hot topic of the film-making circle in China after it is released.

Given the rapid development of new media in recent years and the internet drama pay-to-view model becoming more mature, online video users are getting used to taking paying for access to quality video content and services, and the market has seen the online paid user base in the PRC growing rapidly. For the Group, such industry trends present great opportunities. It is thus actively growing the selection of quality films and TV productions on its online film and TV platform "huanxi.com" (歡喜首映). An internet drama series *Sex and Stocks* (股色股香) is expected to be released in 2019. Moreover, the 18-episode drama series will be produced and co-directed for the first time by the Group's shareholder director Wong Kar Wai, and the Group will own the exclusive rights to broadcast and re-sell the production to new media platforms around the world for a period of 10 years after its completion.

At the same time, to promote and expand development of its new media online film and TV platform, the Group announced in July this year its cooperation with the leading internet and entertainment platform Maoyan, to develop new media business. At present, the Group is finalising the agreement involving subscription by Maoyan at approximately HK$950 million for shares of the Company equivalent to approximately 15.00% of the issued share capital of the Company as enlarged by the subscription shares. In addition, Maoyan will be granted investment right and exclusive promotion and distribution rights to the Group's films and TV/ internet drama series projects and, for the Company, it may take full advantage of Maoyan's strengths in promotion and distribution. More importantly, via Maoyan's website and APP, which have high user base and traffic, users can access the Group's new media video content and services. Maoyan will also provide internet resources and technological support to the

Group to help it operate and grow its new media video content and services business. The cooperation is expected to give the Group's new media online video platform "huanxi.com" (歡喜首映) the strength to achieve rapid development.

The Group firmly believes possessing quality film content and productions is critical to its success and that outstanding directors and creative teams are the deciding factor of the artistic merits and commercial value of films. Thus, the Group is dedicated to investing in and producing works of high artistic excellence and box office receipts. The Group will begin to reap harvest and expects to release a number of film and TV productions of the Group from next year onward, which will enable it to generate high returns to shareholders.

CORPORATE GOVERNANCE REPORT

Corporate Governance Code and Corporate Governance Report

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**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") throughout the six months ended 30 June 2018, except that 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.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have fully complied with the Model Code throughout the review period.

Board Composition

As at the date of this announcement, the Board comprises seven Directors, with two executive Directors, two non-executive Directors and three independent non-executive Directors. All the Directors are high caliber executives with diversified industry expertise and bring a wide range of skills and experience to the Group.

Change in Information of Directors

On 15 August 2018, Mr. Gao Zhikai has resigned as a non-executive director of the Company and ceased to be a member of the audit committee of the Company. Mr. Li Xiaolong, an independent non-executive director of the Company, has been appointed as a member of the audit committee of the Company on 15 August 2018.

Save for the above, there is no change in Directors' information since 1 January 2018, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

Interim Dividend

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018. The committee is satisfied with the review and the Board is also satisfied with the committee's report.

By Order of the Board
Huanxi Media Group Limited
Dong Ping
Chairman

Hong Kong, 29 August 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 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.