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歡喜傳媒集團有限公司*
HJANXI MEDIA GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022, together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue and film investment (loss)/income, net	4	13,630	158,353
Cost of revenue	10	<u>(106,251)</u>	<u>(219,444)</u>
Gross loss		(92,621)	(61,091)
Other income	6	2,527	2,314
Other gains, net	7	6,264	2,517
Selling and distribution costs	10	(5,568)	(24,588)
Administrative expenses	10	(123,322)	(140,562)
Net impairment losses on financial assets and contract assets		<u>(8,491)</u>	<u>(998)</u>
Operating loss		(221,211)	(222,408)

* For identification purposes only

	Note	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income	8	3,844	8,451
Finance costs	8	<u>(5,905)</u>	<u>(6,063)</u>
Finance (costs)/income, net	8	<u>(2,061)</u>	<u>2,388</u>
Loss before tax		(223,272)	(220,020)
Income tax credit/(expense)	9	<u>1,460</u>	<u>(15,537)</u>
Loss for the year		<u>(221,812)</u>	<u>(235,557)</u>
Loss for the year attributable to owners of the Company		<u>(221,812)</u>	<u>(235,557)</u>
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation of functional currency to presentation currency		(11,103)	7,150
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(93,918)</u>	<u>27,311</u>
		<u>(105,021)</u>	<u>34,461</u>
Total comprehensive loss for the year		<u>(326,833)</u>	<u>(201,096)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(326,833)</u>	<u>(201,096)</u>
Loss per share for loss for the year attributable to owners of the Company			
– Basic and diluted (in HK\$)	12	<u>(0.06)</u>	<u>(0.07)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		786	1,341
Right-of-use assets		29,283	22,069
Intangible assets		–	2,416
Deposits and prepayments	15	78,450	101,414
Prepayments for film and TV programmes rights	13	449,968	488,756
Film and TV programmes rights	14	144,887	307,296
		<u>703,374</u>	<u>923,292</u>
Current assets			
Prepayment for film and TV programmes rights	13	363,722	394,414
Film and TV programmes rights	14	793,905	333,593
Trade and other receivables, deposits and prepayments	15	285,373	480,234
Contract assets	16	10,262	11,385
Financial assets at fair value through profit and loss		65	3,409
Cash and cash equivalents		53,634	115,369
		<u>1,506,961</u>	<u>1,338,404</u>
Total assets		<u><u>2,210,335</u></u>	<u><u>2,261,696</u></u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Equity			
Share capital		36,565	36,565
Reserves		<u>1,291,871</u>	<u>1,618,704</u>
Total equity		<u>1,328,436</u>	<u>1,655,269</u>
Non-current liabilities			
Lease liabilities		17,193	13,454
Deferred tax liabilities		<u>12,112</u>	<u>14,677</u>
		<u>29,305</u>	<u>28,131</u>
Current liabilities			
Trade and other payables	<i>17</i>	145,031	188,809
Film investment funds from investors	<i>18</i>	524,471	197,332
Film and TV programmes rights	<i>14</i>	970	1,483
Contract liabilities	<i>16</i>	30,052	31,469
Borrowings	<i>19</i>	108,267	100,281
Lease liabilities		12,722	9,055
Amount due to a related party		182	15,137
Current tax liabilities		<u>30,899</u>	<u>34,730</u>
		<u>852,594</u>	<u>578,296</u>
Total liabilities		<u>881,899</u>	<u>606,427</u>
Total equity and liabilities		<u><u>2,210,335</u></u>	<u><u>2,261,696</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

The Company was 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 and film investment company and its subsidiaries are principally engaged in media and entertainment related businesses which include development and investment in film and TV programmes rights, as well as operation of an online video platform.

These consolidated financial statements of the Company and its subsidiaries are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

(b) Historical cost convention

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

(c) New and amended standards adopted by the Group

The Group has applied the following amendments and annual improvements for the first time for their annual reporting period commencing 1 January 2022:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual Improvements Projects	Annual Improvements 2018–2020 Cycle
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The amendments and annual improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17 Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of assessing potential impact of the above new standards, amendments and interpretations that are relevant to the Group upon initial application. It is not yet in a position to state whether these standards, interpretations, and amendments will have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and have been properly in compliance with the disclosure requirements of the HKCO.

4. REVENUE AND FILM INVESTMENT (LOSS)/INCOME, NET

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
– Share of box office income	–	2,158
– Sub-licensing of film and TV programmes rights	4,258	32,548
– Other media related revenue	<u>12,102</u>	<u>48,061</u>
	16,360	82,767
Film investment (loss)/income, net	<u>(2,730)</u>	<u>75,586</u>
	<u><u>13,630</u></u>	<u><u>158,353</u></u>

5. 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 Group's operations are currently organised into one reportable segment which is investment in film and TV programmes rights. The CODM reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants (<i>Note</i>)	576	286
Sundry income	<u>1,951</u>	<u>2,028</u>
	<u><u>2,527</u></u>	<u><u>2,314</u></u>

Note: Government grants mainly represented the subsidies of approximately HK\$576,000 (2021: Nil) received from Employment Support Scheme of the Hong Kong government and Nil (2021: HK\$286,000) received from the People's Republic of China (the "PRC") government. There are no unfulfilled conditions or other contingencies attaching to these grants.

7. OTHER GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on film investment funds from investors (<i>Note 18</i>)	–	273
Net fair value (loss)/gain on financial assets at fair value through profit or loss ("FVTPL")	(1,169)	3,008
Net foreign exchange gains/(losses)	5,985	(1,056)
Loss on disposal of property, plant and equipment	–	(4)
Gain on dissolution of subsidiaries	1,446	–
Others	<u>2</u>	<u>296</u>
	<u><u>6,264</u></u>	<u><u>2,517</u></u>

8. FINANCE (COSTS)/INCOME, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income		
Bank interest income	112	124
Other interest income	<u>3,732</u>	<u>8,327</u>
	<u>3,844</u>	<u>8,451</u>
Finance costs		
Finance charges for lease liabilities	(1,610)	(631)
Interest expenses on a borrowing	(8)	–
Interest expenses for film investment funds from investors	<u>(4,287)</u>	<u>(5,432)</u>
	<u>(5,905)</u>	<u>(6,063)</u>
Finance (costs)/income, net	<u><u>(2,061)</u></u>	<u><u>2,388</u></u>

9. INCOME TAX CREDIT/(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.

Pursuant to the CIT law, 10% withholding tax is levied on the PRC sourced income on foreign entities without establishments or places of business in the PRC.

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 have incurred tax losses (2021: Same).

No overseas profits tax has been calculated for the group entities that are incorporated in the British Virgin Islands or Bermuda as they are exempted from tax (2021: Same).

Income tax (credit)/expense (credited)/charged to the profit or loss represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax	–	1,060
Deferred income tax	<u>(1,460)</u>	<u>14,477</u>
Income tax (credit)/expense	<u><u>(1,460)</u></u>	<u><u>15,537</u></u>

10. EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Employee benefit expenses (excluding directors' remuneration and share-based compensation)	56,290	54,929
Directors' remunerations	21,322	30,149
Share-based compensation to employees	–	2,612
Depreciation		
– Property, plant and equipment	654	1,747
– Right-of-use assets	13,171	15,066
Short-term leases expenses	1,250	593
Legal and professional fees	5,111	6,561
Travelling and entertainment expenses	4,799	7,373
Advertising and marketing expenses	5,568	24,588
Amortisation of intangible assets	2,288	4,790
Amortisation of film and TV programmes rights	83,991	212,678
Net impairment losses on film and TV programmes rights	6,083	1,998
Pre-production development costs	13,889	–
Auditor's remuneration		
– Audit services	3,285	3,285
– Non-audit services	15	15
General office expenses	2,958	4,403
Insurances	1,641	1,524
Others	12,826	12,283
	<u>235,141</u>	<u>384,594</u>
Total cost of revenue, selling and distribution costs and administrative expenses	<u>235,141</u>	<u>384,594</u>

11. DIVIDENDS

Neither dividends were paid, declared or proposed for the year, nor has any dividend been proposed since the end of reporting period (2021: Same).

12. 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 year.

	2022	2021
Loss attributable to owners of the Company (in HK\$'000)	(221,812)	(235,557)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands)	<u>3,656,472</u>	<u>3,598,117</u>
Basic loss per share (in HK\$)	<u>(0.06)</u>	<u>(0.07)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive shares in issue during the year (2021: Same).

13. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current		
Prepayments for film and TV programmes rights (<i>Note a</i>)	449,968	445,893
Prepayment for film directors' fee	—	42,863
	<u>449,968</u>	<u>488,756</u>
Current		
Prepayment for film and TV programmes rights (<i>Note b</i>)	<u>363,722</u>	<u>394,414</u>
Total	<u><u>813,690</u></u>	<u><u>883,170</u></u>

Notes:

- (a) The prepayments for film and TV programmes rights represent the prepayments made by the Group to respective parties in relation to the film and TV programmes rights which is yet to be concluded. The prepayments will form part of the contribution by the Group for the investments in the proposed film and TV programmes rights. The related terms will be further agreed between the respective parties upon the signing of the agreements.
- (b) The prepayment for film and TV programmes rights represents the prepayment made by the Group in relation to the distribution right, broadcasting right, new media broadcasting right and related income rights of a film.

14. FILM AND TV PROGRAMMES RIGHTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Completed film and TV programmes rights (<i>Note a</i>)	37,725	43,145
Film and TV programmes rights under production (<i>Notes a and e</i>)	600,234	259,415
Film rights investments (<i>Notes b and c</i>)		
– Financial assets at FVTPL	244,731	247,770
– Financial liabilities at FVTPL	(970)	(1,483)
Licensed film and TV programmes rights (<i>Note d</i>)	<u>56,102</u>	<u>90,559</u>
	<u>937,822</u>	<u>639,406</u>
Represented by:		
Non-current assets	144,887	307,296
Current assets	793,905	333,593
Current liabilities	<u>(970)</u>	<u>(1,483)</u>
	<u>937,822</u>	<u>639,406</u>

Notes:

- (a) During the year, the Group recognised a net provision for impairment of completed film and TV programmes rights of approximately HK\$2,112,000 (2021: Nil) and film and TV programmes rights under production of approximately HK\$3,971,000 (2021: HK\$1,998,000).
- (b) The balance represents 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 Group's investment portion as specified in respective film rights investments agreements.
- (c) During the year, the Group recognised film investment loss, net, amounted to approximately HK\$2,730,000 (2021: film investment income, net, amounted to approximately HK\$75,586,000) based on the Group's investment portion as specified in respective film rights investments agreements.
- (d) The balance represents the acquired license rights from independent third parties for broadcasting licensed films or TV programmes series on the Group's online video platform and sub-licensing the license rights to other independent third parties, if applicable.
- (e) The Group has entered into certain joint operation arrangements to produce and distribute three films (2021: four). The Group has participating interests ranging from 50% to 75% (2021: 50% to 57%) in these joint operations. As at 31 December 2022, the carrying amounts of intangible assets recognised in the consolidated statement of financial position relating to the Group's interests in these joint operation arrangements are approximately HK\$371,297,000 (2021: HK\$88,053,000).

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables		
– Share of box office income	1,091	1,183
– Sub-licensing of film and TV programmes rights	7,839	18,453
– Film rights investments	63,653	122,472
– Others	116	970
	<u>72,699</u>	<u>143,078</u>
Loss allowances	<u>(10,128)</u>	<u>(6,990)</u>
	<u>62,571</u>	<u>136,088</u>
Deposits	5,060	6,426
Prepayments (<i>Note a</i>)	113,636	139,547
Other receivables (<i>Notes b and c</i>)	190,905	303,541
Loss allowances	<u>(8,349)</u>	<u>(3,954)</u>
	<u>301,252</u>	<u>445,560</u>
	<u>363,823</u>	<u>581,648</u>
Represented by:		
Trade receivables	62,571	136,088
Deposits	668	2,820
Prepayments	39,443	41,664
Other receivables	190,905	303,541
Loss allowances	<u>(8,214)</u>	<u>(3,879)</u>
Current portion	<u>285,373</u>	<u>480,234</u>
Deposits	4,392	3,606
Prepayments	74,193	97,883
Loss allowances	<u>(135)</u>	<u>(75)</u>
Non-current portion	<u>78,450</u>	<u>101,414</u>

Notes:

- (a) The prepayments mainly represent the prepayments made by the Group in relation to a) pre-production development of identifiable film and TV programme projects; b) acquisition of licensed film rights from independent third parties for broadcasting on the Group's online video platform; and c) co-membership arrangement with other online platforms operated by different business partners.
- (b) As at 31 December 2022, other receivables include short-term loan receivables net of loss allowances of approximately HK\$28,131,000 (2021: HK\$202,465,000), which represented by loan receivables from independent third parties of approximately HK\$9,326,000 (2021: HK\$67,580,000) carried interest at 10% per annum, approximately HK\$18,805,000 (2021: HK\$29,891,000) carried interest at 6% per annum and no interest-free loan receivables (2021: approximately HK\$104,994,000).
- (c) As at 31 December 2022, other receivables of HK\$71,000,000 (2021: HK\$48,520,000) are used to secure borrowings of HK\$74,434,000 (2021: HK\$48,918,000) (*Note 19*).

At 31 December, the ageing analysis of the trade receivables, net of loss allowances, based on invoice date or date of settlement statement are as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
0 – 30 days	625	105,317
31 – 90 days	–	834
91 – 180 days	778	–
181 – 365 days	–	2,080
Over 365 days	61,168	<u>27,857</u>
	62,571	<u>136,088</u>

The credit period is generally within 30 days from invoice date or the date when the settlement statement is duly confirmed as stipulated in the respective agreements.

Due to the short-term nature of the current receivables, the carrying amounts are approximated their fair values.

16. CONTRACT ASSETS AND LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets	10,434	11,440
Loss allowances	<u>(172)</u>	<u>(55)</u>
Contract assets, net	<u>10,262</u>	<u>11,385</u>
Contract liabilities	<u>30,052</u>	<u>31,469</u>

As at 31 December 2022 and 2021, contract assets represent unbilled revenue arisen from the share of box office income, sub-licensing of film and TV programmes rights and other media related revenue in accordance with the contract terms.

As at 31 December 2022 and 2021, contract liabilities mainly represent receipt in advance in relation to the co-membership arrangement with other online platforms operated by different business partners.

17. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	117,847	165,318
Other payables	24,350	12,819
Accruals	<u>2,834</u>	<u>10,672</u>
	<u>145,031</u>	<u>188,809</u>

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

At 31 December, the ageing analysis of the trade payables based on invoice date or date of settlement statement are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	3,073	243
31 – 90 days	–	1,132
181 – 365 days	170	102,482
Over 365 days	<u>114,604</u>	<u>61,461</u>
	<u>117,847</u>	<u>165,318</u>

18. FILM INVESTMENT FUNDS FROM INVESTORS

The amounts represent investments made by certain investors in respect of film rights held by the Group. In accordance with the terms of the respective investment agreements, the investors are entitled to recoup their investment amounts as appropriate by the predetermined percentage of income to be generated from the theatrical release of the films. The financial liabilities were measured at amortised cost.

No gain or loss on film investment funds from investors was recognised during the year ended 31 December 2022. During the year ended 31 December 2021, the Group recognised a gain on film investment funds from investors amounted to approximately HK\$273,000 upon the theatrical release of the respective film because the net proceeds entitled by the investors in accordance with the respective investment agreement was less than the film investment funds contributed by the investors.

19. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unsecured borrowings	33,833	51,363
Secured borrowings (<i>Note</i>)	<u>74,434</u>	<u>48,918</u>
	<u><u>108,267</u></u>	<u><u>100,281</u></u>

Note: As at 31 December 2022, the borrowings are secured by other receivables of HK\$71,000,000 (2021: HK\$48,520,000) (*Note 15*).

As at 31 December 2022, except for a borrowing amounted to HK\$33,833,000 is interest-bearing at 4.35% per annum and repayable within one year, the borrowings are interest-free and repayable within one year (2021: all the borrowings were interest-free and repayable within one year).

Due to the short-term nature of the borrowings, the carrying amounts are approximated their fair values.

20. EVENT AFTER THE REPORTING PERIOD

There was no material event after reporting period up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Investment in Film and TV Programmes Rights Business

In 2022, the pandemic resurging seriously affected people's livelihood and the economy, sending the Chinese film industry into a harsh winter. Despite the difficult environment, the Group continued to work closely with top Chinese directors in developing and producing high-quality films and TV content and creating outstanding original films and TV productions. It also steadily pressed forward with developing its online video platform business "huanxi.com". The film *Full River Red* (滿江紅), invested in and lead produced by the Group, hit the screen during the Chinese New Year in 2023, and the related revenue and costs will be reflected in the Group's interim results for the six months ended 30 June 2023.

For the year ended 31 December 2022, the Group recorded revenue and film investment (loss)/income, net of HK\$13,630,000 (2021: HK\$158,353,000) and a net loss of HK\$221,812,000 (2021: HK\$235,557,000). The decrease in revenue was mainly due to the fact that the Group postponed screenings of some blockbusters invested by the Group, as the operational rate of cinema in China adversely affected by the pandemic. Despite this, the net loss decreased mainly due to the decrease of amortised expenses of the content costs and promotion expenses of "huanxi.com" online video platform; the decrease of selling and distribution costs as a result of decrease in movie distribution activities; the Group implemented a stringent cost control policy to reduce administrative expenses and recognised an income tax credit.

During the year, with a proactive approach for preparation and production, the Group has completed the post production stage of several blockbusters to gradually debut on cinema screens in 2023, including *Papa* (學爸), written and directed by Su Liang and starring Huang Bo, *Something About Us* (紅毯先生) directed by Ning Hao and starring Andy Lau, *Li Na* (獨自•上場) directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, *Unspoken* (無所畏懼) directed by Chen Daming and starring Zhang Hanyu, *Call Me Crazy* (刺猬) directed by Gu Changwei and starring Ge You and Karry Wang, *The Mountain* (上山) produced by Wang Xiaoshuai, *Evacuate from the 21st Century* (從21世紀安全撤離) directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi, and *Strangers When We Meet* (朝雲暮雨) directed and written by Zhang Guoli and starring Zhou Dongyu. The Group expects the screening of those films in cinemas, which will contribute revenue to the Group, and the results of the Group will be improved.

Regarding its online video platform, the Group continued to develop “huanxi.com”. It introduced more outstanding films and internet dramas to optimise the content of the platform. During the year, *The Wolf’s Call* (狼嚎), a science fiction war film set in a nuclear submarine, was hailed for Best Sound at the 45th Cesar Awards (French Academy), *The Life Ahead* (來日方長) starring Sophia Loren, who won her 7th Best Actress Award at Italy’s David di Donatello Awards, and the opening film of the 70th Berlin Film Festival *My Salinger Year* (職場心計文學夢), which is an adaptation of J.D. Salinger’s autobiography, were presented on “huanxi.com”. The Group also continued to forge alliances with major cooperation channels so as to attract more user groups.

Overall, the layout of film and TV content on the Group’s online video platform has cemented the foundation for long-term development of the Group. Although the market was still full of challenges during the year, the Group was actively bolstering its content reserve to prepare for the next boom in the film industry. When the film market picks up in the coming year, high-quality films are bound to be well received. The film *Full River Red* (滿江紅) is the first example of success for the Group in 2023.

Impact of the Pandemic

Since the pandemic broke out in early 2020, it has had a significant impact on the film industry. During the year, it resurged twice forcing cities to implement control measures that severely affected economic activities. Then, with many cinemas closing temporarily or restricting admissions, viewing sentiment slumped. The number of films produced in China that hit the cinema screen dropped to the lowest in recent years, harming box office receipts. Regarding film supply, production companies had to bear additional production time and costs due to quarantine measures. In December 2022, with the “New 10 Measures” announced optimising related anti-pandemic works, the film industry has been steadily recovering.

In the future, the Group will closely monitor development of the pandemic, continue to evaluate its impact on the media market, and ensure that active measures will be taken in due course to minimise any impacts from the pandemic on its business operations and financial results.

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2022, the Group recorded revenue and film investment (loss)/income, net of HK\$13,630,000 (2021: HK\$158,353,000) and a net loss of HK\$221,812,000 (2021: HK\$235,557,000). The decrease in revenue was mainly due to the fact that the Group delayed some blockbusters invested by the Group to make debut on cinema screens due to the operational rate of cinema in the PRC adversely affected by the pandemic. Despite this, the net loss decreased mainly due to the decrease of amortised expenses of the content costs and promotion expenses of “huanxi.com” online video platform; the decrease of selling and distribution costs as a result of decrease in movie distribution activities; the Group implemented a stringent cost control policy to reduce administrative expenses and recognised an income tax credit.

The film *Full River Red* (滿江紅), with the Group as major investor and producer, directed by Zhang Yimou and starring Jackson Yee, Shen Teng, Yue Yunpeng, Zhang Yi and Lei Jiayin, just hit cinemas in the PRC during the 2023 Chinese New Year holiday and took the top spot for the period. The revenue and cost of the film *Full River Red* (滿江紅) will be reflected in the interim results of the Group for the six months ended 30 June 2023.

The Group expects the situation of the pandemic will be improved, the Group is enriching its content reserves and is expected to arrange for a number of completed shooting blockbusters invested by the Group to gradually debut on cinema screens in 2023, including *Papa* (學爸), written and directed by Su Liang and starring Huang Bo, *Something About Us* (紅毯先生) directed by Ning Hao and starring Andy Lau, *Li Na* (獨自 • 上場) directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, *Unspoken* (無所畏懼) directed by Chen Daming and starring Zhang Hanyu, *Call Me Crazy* (刺猬) directed by Gu Changwei and starring Ge You and Karry Wang, *The Mountain* (上山) produced by Wang Xiaoshuai, *Evacuate from the 21st Century* (從21世紀安全撤離) directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi, and *Strangers When We Meet* (朝雲暮雨) directed and written by Zhang Guoli and starring Zhou Dongyu, which will contribute revenue to the Group, and the results of the Group will be improved.

For the year ended 31 December 2022, loss per share of the Group amounted to HK\$0.06 (2021: HK\$0.07) and net asset value per share attributable to owners of the Company was HK\$0.36 (2021: HK\$0.45).

Liquidity and Financial Resources

During the year ended 31 December 2022, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and borrowings. As at 31 December 2022, the Group had net current assets of HK\$654,367,000 (2021: HK\$760,108,000), with cash and cash equivalents of HK\$53,634,000 (2021: HK\$115,369,000). As at 31 December 2022, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 1.77 (2021: 2.31). As at 31 December 2022, the total equity of the Group amounted to HK\$1,328,436,000 (2021: HK\$1,655,269,000) with total borrowings of HK\$108,267,000 (2021: HK\$100,281,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.08 (2021: 0.06) as at 31 December 2022. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2022, the Company had shareholders' capital of approximately HK\$36,565,000 (2021: Same) which is constituted of 3,656,472,362 ordinary shares (2021: Same) of HK\$0.01 each in issue. The Company did not carry out any fund raising activities by issuing new shares of the Company during the year under review.

Charges on Assets

As at 31 December 2022, other receivables of HK\$71,000,000 (2021: HK\$48,520,000) are used to secure borrowings of HK\$74,434,000 (2021: HK\$48,918,000).

Foreign Exchange Exposure

The Group's cash flow from operations, cash on hand and assets are denominated mainly in Hong Kong dollars and Renminbi. Although most of the production costs and management fees are denominated in Renminbi, foreign currencies are needed for some investment opportunities and cooperation plans with the PRC and overseas film companies. The Group will continue to monitor its capital needs closely and take appropriate measures to minimise 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 2022, the Group had no significant contingent liabilities (2021: Same).

Dividends

Neither dividends were paid, declared or proposed for the year, nor has any dividend been proposed since the end of reporting period (2021: Same).

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 optimising its staff structure to match its development strategy and business needs. As at 31 December 2022, the Group had 87 full-time employees (2021: 101) and 4 part-time employees (2021: 5). 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.

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. Forfeited contributions cannot be used by the Group to reduce the existing level of contribution to the defined contribution schemes.

Event After the Reporting Period

There was no material event after reporting period up to the date of this announcement.

Business Strategies and Prospects

The cultural industry has always been of significance to China. The State Administration of Radio, Film and Television has introduced policies to promote the development and reform of the film and TV, and cultural industries. "The 14th Five-Year Plan for the Development of Chinese Films" issued by the China Film Administration clearly stated the need to focus on the goal of developing China into a film culture power by 2035, to encourage production of premium films and enhance filming technologies, so as to give the industry the foundation it requires for sustainable and healthy development.

After the government optimised pandemic prevention measures, the State Council Executive Meeting pointed out at the start of this year that promoting faster recovery of consumption will give the economy the main driving force. Therefore, Shanghai, Guangdong and Shandong launched policies to boost consumption, including not only distributing various types of coupons, but also offering various tax and fee concessions, and lifting consumption restrictions, etc. to foster recovery of the consumer market with cultural industry as a key project.

Driven by various favorable policies, the economy has gradually recovered and consumer sentiment is returning, with audiences started going to the cinemas again. The seven-day box office receipts during the China New Year holiday of 2023 was RMB6,760 million, which is the second highest box office receipts in China's film history, indicating clearly the film industry is moving on the path of recovery.

In particular, the film *Full River Red* (滿江紅) invested in and lead produced by the Group, prided impressive box office receipts during the Chinese New Year holiday of 2023 and topped the box office chart for the Chinese New Year holiday of 2023. The film *Full River Red* (滿江紅) will contribute significantly to the Group's revenue and performance in 2023.

Continuing its "Content is King" strategy, the Group has produced premium and diverse types of films and TV productions backed by the outstanding directors and professional creative teams. Following *Full River Red* (滿江紅), the Group plans to debut blockbusters on cinema screens in 2023 such as *Papa* (學爸), *Something About Us* (紅毯先生) and *Li Na* (獨自•上場). The Group will deliver a feast for the eyes of audience with a range of plots presented by well-known directors and skilled actors. To hit cinema screens in 2023, the films are expected to bring in commendable revenues and see the Group achieve encouraging results.

The Group will include more quality films and TV productions in "huanxi.com" and continue to work with leading internet and entertainment partners to build "huanxi.com" into a top-notch online video platform. In addition to looking for good films and TV masterpieces, the Group will also put quality films and internet dramas it invested in and produced on the platform. *Full River Red* (滿江紅) will have its premiere on "huanxi.com" soon.

To strengthen its edge of being able to offer original Chinese film and TV content and ensure their stable supply, the Group will continue to cooperate with top Chinese directors such as Ning Hao, Xu Zheng, Chan Ho Sun Peter, Wong Kar Wai, Zhang Yibai, Gu Changwei, Zhang Yimou, Huang Bo, Chen Daming, Jia Zhangke and Wang Xiaoshuai to create more films and TV productions excellent in both artistic and commercial value, so as to consolidate its leadership in the Chinese film and TV industry.

All in all, the Group will keep optimising its strategic “Content is King” deployment, taking creating outstanding original film and TV works as its responsibility, stepping up cooperation with top Chinese film directors, speeding up launch of high-quality content, plus building a leading online video platform capable of providing diverse film and TV contents, all to the end of consolidating and boosting the Group’s competitive advantages. The Group endeavors to capture post-pandemic opportunities for its business to soar again and continue to create long-term and high-value returns for its shareholders.

OTHER INFORMATION

Corporate Governance Practices

Throughout the year ended 31 December 2022, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

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 2022.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Dong Ping (Chairman) and Mr. Xiang Shaokun, Steven (Chief Executive Officer) as executive Directors, Mr. Ning Hao, Mr. Xu Zheng and Ms. Li Ni as non-executive Directors, and Mr. Wong Tak Chuen, Mr. Li Xiaolong and Mr. Wang Hong as independent non-executive Directors.