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歡喜傳媒集團有限公司\*

HUANXI MEDIA GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 2023, together with comparative figures for the year ended 31 December 2022, as follows:

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

*For the year ended 31 December 2023*

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue and film investment loss, net	4	<b>1,332,794</b>	13,630
Cost of revenue	10	<u>(426,533)</u>	<u>(106,251)</u>
<b>Gross profit/(loss)</b>		<b>906,261</b>	(92,621)
Other income	6	<b>11,463</b>	2,527
Other gains, net	7	<b>24,322</b>	6,264
Loss on film investment funds from investors	18	<b>(268,210)</b>	–
Selling and distribution costs	10	<b>(319,356)</b>	(5,568)
Administrative expenses	10	<b>(138,224)</b>	(123,322)
Net impairment losses on financial assets and contract assets		<u>(3,384)</u>	<u>(8,491)</u>
<b>Operating profit/(loss)</b>		<b>212,872</b>	(221,211)

\* For identification purposes only

	Note	2023 HK\$'000	2022 HK\$'000
Finance income	8	4,136	3,844
Finance costs	8	<u>(4,923)</u>	<u>(5,905)</u>
Finance costs, net	8	<u>(787)</u>	<u>(2,061)</u>
<b>Profit/(loss) before tax</b>		<b>212,085</b>	<b>(223,272)</b>
Income tax (expense)/credit	9	<u>(52,950)</u>	<u>1,460</u>
<b>Profit/(loss) for the year</b>		<b><u>159,135</u></b>	<b><u>(221,812)</u></b>
Profit/(loss) for the year attributable to owners of the Company		<b><u>159,135</u></b>	<b><u>(221,812)</u></b>
<b>Other comprehensive loss</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation of functional currency to presentation currency		(2,478)	(11,103)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(31,525)</u>	<u>(93,918)</u>
		<u>(34,003)</u>	<u>(105,021)</u>
<b>Total comprehensive income/(loss) for the year</b>		<b><u>125,132</u></b>	<b><u>(326,833)</u></b>
Total comprehensive income/(loss) for the year attributable to owners of the Company		<b><u>125,132</u></b>	<b><u>(326,833)</u></b>
<b>Profit/(loss) per share for the year attributable to the owners of the Company</b>			
– Basic and diluted (in HK\$)	12	<b><u>0.04</u></b>	<b><u>(0.06)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		1,619	786
Right-of-use assets		17,359	29,283
Intangible assets		–	–
Deposits and prepayments	15	20,091	78,450
Prepayments for film and TV programmes rights	13	387,152	449,968
Film and TV programmes rights	14	294,981	144,887
Deferred tax assets		420	–
		<u>721,622</u>	<u>703,374</u>
<b>Current assets</b>			
Prepayments for film and TV programmes rights	13	–	363,722
Film and TV programmes rights	14	1,039,970	793,905
Trade and other receivables, deposits and prepayments	15	103,871	285,373
Contract assets	16	58,634	10,262
Financial assets at fair value through profit or loss		–	65
Cash and cash equivalents		310,146	53,634
		<u>1,512,621</u>	<u>1,506,961</u>
<b>Total assets</b>		<u><u>2,234,243</u></u>	<u><u>2,210,335</u></u>

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Equity</b>			
Share capital		<b>36,565</b>	36,565
Reserves		<b>1,417,003</b>	<u>1,291,871</u>
<b>Total equity</b>		<b><u>1,453,568</u></b>	<u>1,328,436</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,549</b>	17,193
Deferred tax liabilities		<b>–</b>	<u>12,112</u>
		<b><u>3,549</u></b>	<u>29,305</u>
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	<b>174,777</b>	145,031
Film investment funds from investors	<i>18</i>	<b>535,195</b>	524,471
Film and TV programmes rights	<i>14</i>	<b>942</b>	970
Contract liabilities	<i>16</i>	<b>1,150</b>	30,052
Borrowings	<i>19</i>	<b>–</b>	108,267
Lease liabilities		<b>14,319</b>	12,722
Amount due to a related party		<b>–</b>	182
Current tax liabilities		<b>50,743</b>	<u>30,899</u>
		<b><u>777,126</u></b>	<u>852,594</u>
<b>Total liabilities</b>		<b><u>780,675</u></b>	<u>881,899</u>
<b>Total equity and liabilities</b>		<b><u><u>2,234,243</u></u></b>	<u><u>2,210,335</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 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 2023:

HKFRS 17	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

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 2023 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
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
HKFRS 16 (amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5)	1 January 2024
HKAS 7 and HKFRS 7 (amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (amendments)	Lack of Exchangeability	1 January 2025
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, NET

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue		
– Share of box office income	1,292,534	–
– Sub-licensing of film and TV programmes rights	83,784	4,258
– Other media related revenue	<u>35,819</u>	<u>12,102</u>
	1,412,137	16,360
Film investment loss, net	<u>(79,343)</u>	<u>(2,730)</u>
	<u><u>1,332,794</u></u>	<u><u>13,630</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants ( <i>Note</i> )	9,030	576
Sundry income	<u>2,433</u>	<u>1,951</u>
	<u><b>11,463</b></u>	<u><b>2,527</b></u>

*Note:* Government grants mainly represented the subsidies of Nil (2022: HK\$576,000) received from Employment Support Scheme of the Hong Kong government and approximately HK\$9,030,000 (2022: Nil) 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net fair value gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	22,088	(1,169)
Net foreign exchange gains	1,915	5,985
Gain on disposal of property, plant and equipment	319	–
Gain on dissolution of subsidiaries	–	1,446
Others	<u>–</u>	<u>2</u>
	<u><b>24,322</b></u>	<u><b>6,264</b></u>



## 8. FINANCE COSTS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Finance income</b>		
Bank interest income	1,946	112
Other interest income	<u>2,190</u>	<u>3,732</u>
	<u>4,136</u>	<u>3,844</u>
<b>Finance costs</b>		
Interest expenses for lease liabilities	(1,054)	(1,610)
Interest expenses on a borrowing	–	(8)
Interest expenses for film investment funds from investors	<u>(3,869)</u>	<u>(4,287)</u>
	<u>(4,923)</u>	<u>(5,905)</u>
<b>Finance costs, net</b>	<u>(787)</u>	<u>(2,061)</u>

## 9. INCOME TAX (EXPENSE)/CREDIT

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 (2022: 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 (2022: Same).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax	65,067	–
Deferred income tax	<u>(12,117)</u>	<u>(1,460)</u>
Income tax expense/(credit)	<u>52,950</u>	<u>(1,460)</u>

## 10. EXPENSES BY NATURE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Employee benefit expenses (excluding directors' remuneration)	48,361	56,290
Directors' remuneration	38,595	21,322
Depreciation		
– Property, plant and equipment	507	654
– Right-of-use assets	13,107	13,171
Short-term leases expenses	677	1,250
Legal and professional fees	7,160	5,111
Travelling and entertainment expenses	6,994	4,799
Advertising and marketing expenses	319,356	5,568
Amortisation of intangible assets	–	2,288
Amortisation of film and TV programmes rights	289,138	83,991
Net impairment losses on film and TV programmes rights	106,196	6,083
Other media related costs	31,199	–
Pre-production development costs	–	13,889
Auditor's remuneration		
– Audit services	3,385	3,285
– Non-audit services	922	15
General office expenses	2,937	2,958
Insurances	1,641	1,641
Others	13,938	12,826
	<u>884,113</u>	<u>235,141</u>
Total cost of revenue, selling and distribution costs and administrative expenses	<u>884,113</u>	<u>235,141</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 (2022: Same).

## 12. PROFIT/(LOSS) PER SHARE

### (a) Basic

Basic profit/(loss) per share is calculated by dividing the profit/(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.

	2023	2022
Profit/(loss) attributable to owners of the Company (in HK\$'000)	159,135	(221,812)
Weighted average number of ordinary shares for the purpose of basic and diluted profit/(loss) per share (in thousands)	<u>3,656,472</u>	<u>3,656,472</u>
Basic profit/(loss) per share (in HK\$)	<u>0.04</u>	<u>(0.06)</u>

### (b) Diluted

Diluted profit/(loss) per share is the same as basic profit/(loss) per share as there were no potential dilutive shares in issue during the year (2022: Same).

## 13. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	2023 HK\$'000	2022 HK\$'000
<b>Non-current</b>		
Prepayments for film and TV programmes rights under development ( <i>Note a</i> )	387,152	449,968
<b>Current</b>		
Prepayment for film and TV programmes rights under production ( <i>Note b</i> )	<u>–</u>	<u>363,722</u>
Total	<u>387,152</u>	<u>813,690</u>

### Notes:

- (a) The prepayments for film and TV programmes rights under development 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 under production represents prepayment made by the Group in relation to the distribution right, broadcasting right, new media broadcasting right and related income rights of films.

#### 14. FILM AND TV PROGRAMMES RIGHTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Completed Film and TV programmes rights ( <i>Note a</i> )	566,362	37,725
Film and TV programmes rights under production ( <i>Notes a and e</i> )	495,008	600,234
Film rights investments ( <i>Notes b and c</i> )		
– Financial assets at FVTPL	193,673	244,731
– Financial liabilities at FVTPL	(942)	(970)
Licensed film and TV programmes rights ( <i>Note d</i> )	<u>79,908</u>	<u>56,102</u>
	<u><u>1,334,009</u></u>	<u><u>937,822</u></u>
Represented by:		
Non-current assets	294,981	144,887
Current assets	1,039,970	793,905
Current liabilities	<u>(942)</u>	<u>(970)</u>
	<u><u>1,334,009</u></u>	<u><u>937,822</u></u>

#### Notes:

- (a) During the year, the Group recognised a net provision for impairment of completed film and TV programmes rights of approximately HK\$103,138,000 (2022: HK\$2,112,000) and film and TV programmes rights under production of approximately HK\$3,058,000 (2022: HK\$3,971,000).
- (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\$79,343,000 (2022: HK\$2,730,000) 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 two films (2022: three). The Group has participating interests ranging from 50% to 55% (2022: 50% to 75%) in these joint operations. As at 31 December 2023, 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\$104,905,000 (2022: HK\$371,297,000).

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables		
– Share of box office income	1,007	1,091
– Sub-licensing of film and TV programmes rights	16,615	7,839
– Film rights investments	8,864	63,653
– Others	37	116
	<u>26,523</u>	<u>72,699</u>
Loss allowances	<u>(1,969)</u>	<u>(10,128)</u>
	<u>24,554</u>	<u>62,571</u>
Deposits	6,227	5,060
Prepayments ( <i>Note a</i> )	25,599	113,636
Other receivables ( <i>Notes b and c</i> )	86,168	190,905
Loss allowances	<u>(18,586)</u>	<u>(8,349)</u>
	<u>99,408</u>	<u>301,252</u>
	<u>123,962</u>	<u>363,823</u>
Represented by:		
Trade receivables	24,554	62,571
Deposits	906	668
Prepayments	10,668	39,443
Other receivables	86,168	190,905
Loss allowances	<u>(18,425)</u>	<u>(8,214)</u>
Current portion	<u>103,871</u>	<u>285,373</u>
Deposits	5,321	4,392
Prepayments	14,931	74,193
Loss allowances	<u>(161)</u>	<u>(135)</u>
Non-current portion	<u>20,091</u>	<u>78,450</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 2023, other receivables included short-term loan receivables net of loss allowances of approximately HK\$18,899,000 (2022: HK\$28,131,000), which represented by the loan receivables from independent third parties of Nil (2022: HK\$9,326,000) carried interest at 10% per annum, approximately HK\$18,899,000 (2022: HK\$18,805,000) carried interest at 6% per annum.
- (c) As at 31 December 2022, other receivables amounted to HK\$71,000,000 were used to secure borrowings amounted to HK\$74,434,000 (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:

	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
0 – 30 days	<b>3,400</b>	625
31 – 90 days	<b>7,092</b>	–
91 – 180 days	<b>15</b>	778
Over 365 days	<b>14,047</b>	61,168
	<b>24,554</b>	62,571

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, their carrying amounts are approximated their fair values.

## 16. CONTRACT ASSETS AND LIABILITIES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets	59,712	10,434
Loss allowances	<u>(1,078)</u>	<u>(172)</u>
Contract assets, net	<u>58,634</u>	<u>10,262</u>
Contract liabilities	<u>1,150</u>	<u>30,052</u>

As at 31 December 2023 and 2022, contract assets represent unbilled revenue arisen from the share of box office income, sub-licensing of film and TV programmes rights and online platform related income in accordance with the contract terms.

As at 31 December 2023 and 2022, 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	110,002	117,847
Other payables	50,988	24,350
Accruals	<u>13,787</u>	<u>2,834</u>
	<u>174,777</u>	<u>145,031</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	2,958	3,073
181 – 365 days	–	170
Over 365 days	<u>107,044</u>	<u>114,604</u>
	<u>110,002</u>	<u>117,847</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.

During the year, the Group recognised a loss on film investment funds from investors amounted to approximately HK\$268,210,000 (2022: Nil) upon the theatrical release of the respective film because certain film investors invested film rights held by the Group which income distributed by the Group to these investors after the theatrical release of the films was more than the investment funds received. Therefore, the Group needed to recognise loss on film investment funds from investors.

## 19. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unsecured borrowing	–	33,833
Secured borrowings ( <i>Note</i> )	–	74,434
	<u>–</u>	<u>108,267</u>

*Note:* As at 31 December 2022, the borrowings were secured by other receivables of HK\$71,000,000 (*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, the borrowings were interest-free and repayable within one year.

Due to the short-term nature of the borrowings, their 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

The film market in China showed a strong recovery in 2023, the demand for films in China continued to pick up and movie themes became more diversified, resulting in a significant year-on-year increase in the national box office. During the year, the Group seized the opportunity presented by the recovery of the film market and took the lead by releasing *Full River Red* (滿江紅), which was invested in and lead produced by the Group and directed by Zhang Yimou, during the Chinese New Year holiday in 2023. The film achieved impressive box office receipts and word-of-mouth recommendations, it has also been released on the Group's online video platform "huanxi.com".

For the year ended 31 December 2023, the Group recorded an increase in revenue and film investment loss, net to HK\$1,332,794,000 (2022: HK\$13,630,000), sharply increase of approximately 97 times; recorded a turnaround from loss to profit, a profit before tax of HK\$212,085,000 (2022: a loss before tax of HK\$223,272,000); and a net profit of HK\$159,135,000 (2022: net loss of HK\$221,812,000).

During the year, the Group continued to work closely with top Chinese film directors to develop and produce high-quality films for the next one to two years. Among the films in shooting are *The Murderer* (醬園弄) directed by Chan Ho Sun Peter and starring Zhang Ziyi and Lei Jiayin; and *The Stage* (戲台) written and directed by Chen Peisi. Moreover, the films completed production include *Li Na* (獨自•上場) directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei; *Call Me Crazy* (刺猬) directed by Gu Changwei and starring Ge You and Karry Wang; *Unspoken* (以父親之名) (formerly known as *Unspoken* (無所畏懼)), directed by Chen Daming and starring Zhang Hanyu; *Strangers When We Meet* (朝雲暮雨), directed and written by Zhang Guoli and starring Zhou Dongyu; *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 *The Mountain* (上山), produced by Wang Xiaoshuai, etc. Following the great success of the film *Full River Red* (滿江紅), the Group plans to collaborate with director Zhang Yimou again to film another movie with both artistic and commercial value.

In terms of the online video platform, “huanxi.com” continued to achieve steady growth. During the year, the platform released a number of foreign films that captured market attention, including *Bye Bye Morons* (尋子奇情錄), which won seven awards at the Cesar Awards (French Academy), including Best Picture and Best Director; *Skies of Lebanon* (不一樣的天空), the shortlisted film of Critics’ Week at the Cannes Film Festival; *Lost Illusions* (幻滅), opening film of the Venice Film Festival and the Best Picture at the Cesar Awards (French Academy); *Ali & Ava* (阿里與艾娃), a love story that received three nominations including The Directors’ Fortnight – Cannes, as well as Outstanding British Film and Best Actor at the BAFTA Awards; *The Ties* (婚姻連繫), opening film of the Venice Film Festival; *The Duke* (公爵) starring famous British actors Jim Broadbent and Helen Mirren; *Red Soil* (紅土), which was shortlisted for the Cannes Film Festival; *Full Time* (全速通勤), which was nominated for the Orizzonti Award for Best Picture, Best Director, Best Actress at the Venice Film Festival and the winner of Best Editing at the Cesar Awards (French Academy); and *Memory Box* (回憶之盒), which was nominated for the Golden Bear at the Berlin International Film Festival. The content advantage of “huanxi.com” consolidated the Group’s market position in China’s online video platform. Going forward, the Group will continue to form alliances and cooperate with major channels to attract a wider user base and expand its revenue base.

Overall, the Group will also continue to deepen its cooperation with outstanding directors and develop more high-quality films. With strong production capabilities and ample film reserves, as well as the strategic layout of the online video platform, the Group is poised to provide audiences with more exciting audiovisual feasts to enjoy, while continuously driving stable business development.

## **FINANCIAL REVIEW**

### **Review of Results**

For the year ended 31 December 2023, the Group recorded an increase in revenue and film investment loss, net to HK\$1,332,794,000 (2022: HK\$13,630,000), sharply increase of approximately 97 times; recorded a turnaround from loss to profit, a profit before tax of HK\$212,085,000 (2022: a loss before tax of HK\$223,272,000); and a net profit of HK\$159,135,000 (2022: net loss of HK\$221,812,000). For the last year, as the operational rate of cinema in China was adversely affected by the pandemic, the Group postponed screenings of some blockbusters invested by the Group, resulting in a decrease in the Group's revenue and recording a loss for the last year. For the year, the Group recorded a turnaround from loss to profit which was mainly due to the overall satisfactory box office receipts of the Group during the year. However, the Group expected a decrease in revenue/expected revenue from its film and TV programmes rights in the first quarter of the year 2024, the impairment loss of HK\$106,196,000 for the film and TV programmes rights was provided for the year 2023 (31 December 2022: HK\$6,083,000) which partially offset the profit of the Group.

The increase of selling and distribution costs during the year was mainly due to the increase of movie distribution activities; income tax expense increased as recorded a turnaround profit during the year; and loss on film investment funds from investors increased as certain film investors invested film rights held by the Group which income distributed by the Group to these investors after the theatrical release of the films was more than the investment funds received. Therefore, the Group needed to recognise loss on film investment funds from investors.

For the year ended 31 December 2023, profit per share of the Group amounted to HK\$0.04 (2022: loss per share of HK\$0.06) and net asset value per share attributable to owners of the Company was HK\$0.40 (2022: HK\$0.36).

### **Liquidity and Financial Resources**

During the year ended 31 December 2023, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations. As at 31 December 2023, the Group had net current assets of HK\$735,495,000 (2022: HK\$654,367,000), with cash and cash equivalents of HK\$310,146,000 (2022: HK\$53,634,000). As at 31 December 2023, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 1.95 (2022: 1.77). As at 31 December 2023, the total equity of the Group amounted to HK\$1,453,568,000 (2022: HK\$1,328,436,000) with no borrowing (2022: HK\$108,267,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was Nil (2022: 0.08) as at 31 December 2023. Total capital is calculated as total equity plus total borrowings.

## **Capital Structure**

As at 31 December 2023, the Company had shareholders' capital of approximately HK\$36,565,000 (2022: Same) which is constituted of 3,656,472,362 ordinary shares (2022: 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 2023, the Group did not have any charge on assets (2022: the Group's secured borrowings of HK\$74,434,000 were secured by other receivables amounting to approximately HK\$71,000,000).

## **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 2023, the Group had no significant contingent liabilities (2022: Same).

## **Dividends**

Neither dividends were paid, declared or proposed for the year, nor has any dividend been proposed since the end of reporting period (2022: 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 2023, the Group had 85 full-time employees (2022: 87) and 4 part-time employees (2022: 4). 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**

Looking ahead, the Central Government is actively promoting economic development and has declared 2024 as the “Year of Consumption Promotion”. From the introduction of a series of policies to encourage consumption to the creation of diversified consumption scenarios, the Central Government has emphasised the need to organise consumption promotion activities and encourage the recovery of consumption from the post-epidemic period and better meet people’s needs for quality of life. Film is an important part of social culture, and watching films has always been a popular leisure and entertainment activity. Now that the epidemic has subsided, the long-suppressed consumer demand for cinema is gradually being unleashed. With the support of the government’s active promotion of cultural and entertainment consumption activities, the pace of recovery of the film market is expected to accelerate further. During the 2024 Chinese New Year holiday, the number of moviegoers nationwide reached 160 million and the eight-day box office receipts totaled RMB8 billion, an increase of 26.4% and 18.5%, respectively, over the 2023 Chinese New Year holiday, setting a new record for cinema consumption during the same period.

After the reporting period, the Group has arranged to release *The Movie Emperor* (紅毯先生), a dark comedy directed by Ning Hao and starring Andy Lau. The Group plans to release a number of films in cinemas in 2024 or in the first quarter of 2025, including *The Murderer* (醬園弄) directed by Chan Ho Sun Peter and starring Zhang Ziyi and Lei Jiayin; *Li Na* (獨自•上場), directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, and *The Stage* (戲台) written and directed by Chen Peisi. *The Murderer* (醬園弄) is based on a sensational case from 1940s Shanghai, and through the bizarre experiences of its main character, Mrs. Zhan, it reveals the changes in the world over the past half century. *Li Na* (獨自•上場) is about Li Na's legendary experience of winning Asia's first Grand Slam singles title. *The Stage* (戲台) tells the story of how China's famous Wuqing troupe was harassed by thugs and overrun by a warlord during their three-day performance in the early years of the Republic of China – a period of warlordism.

In addition, the Group enriched its film portfolio and invested in *Call Me Crazy* (刺猬) directed by Gu Changwei and starring Ge You and Karry Wang; *Unspoken* (以父親之名), directed by Chen Daming and starring Zhang Hanyu; *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 the fantasy love story *Intercross* (人魚), directed by Cheng Er and starring Wang Yibo and Wang Chuanjun. The Group is actively preparing for the production and release of these films. The Group believes that a wide range of themes and works with different styles can meet the individual needs of audiences and attract wide attention. Following the great success of *Full River Red* (滿江紅), the Group is planning to collaborate with Zhang Yimou again to create another fascinating work.

The Group firmly believes that the “Content is King” strategy is the key to the success of the film and television industry, and outstanding directors and creative teams are the core that determines artistic achievements and commercial value. The Group will continue to work with top Chinese film directors to produce high-quality original content. In addition to Zhang Yimou, the Group will also continue to co-develop and produce leading content with Ning Hao, Xu Zheng, Chan Ho Sun Peter, Wong Kar Wai, Zhang Yibai, Gu Changwei, Huang Bo, Chen Daming, Jia Zhangke, Wang Xiaoshuai, etc., which will not only bring wonderful entertainment and enjoyment to audiences, but also provide a reliable guarantee for the Group's box office receipts.

In terms of online video platform, the Group continued to develop “huanxi.com”. The platform optimises the content ecosystem, collects global film and television masterpieces, incorporates high-quality films invested in and produced by the Group, and cooperates closely with major Internet and entertainment companies to attract a wider user base.

Overall, the Group will continue to optimise the “Content is King” strategy, strengthen cooperation with top Chinese film directors, accelerate the launch of high-quality content, and build a leading online video platform with diverse film and TV content, all with the aim of consolidating the Group’s competitive advantages. The Group endeavors to seize the opportunities presented by the recovery of the film and television industry and continue to create high-value returns for its shareholders.

## **OTHER INFORMATION**

### **Corporate Governance Practices**

Throughout the year ended 31 December 2023, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange.

### **Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 to the Listing Rules on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the reporting period.

### **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 2023.

### **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 2023.

## **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 2023 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 audited 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, 27 March 2024

*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.*