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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 2020

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 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTE	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated) (Note 4)
Continuing operations			
Revenue and film investment income, net	6	633,176	814,425
Cost of revenue	12	(651,501)	(470,915)
Gross (loss)/profit		(18,325)	343,510
Other income	8	23,092	21,371
Other gains/(losses), net	9	21,405	(2,306)
Selling and distribution costs	12	(113,468)	(43,274)
Administrative expenses	12	(138,521)	(132,979)
Net impairment losses on financial assets and contract assets		(9,252)	—
Operating (loss)/profit		(235,069)	186,322

* *For identification purposes only*

	NOTE	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated) (Note 4)
Finance income	10	3,687	3,036
Finance costs	10	<u>(8,775)</u>	<u>(3,170)</u>
Finance costs, net	10	(5,088)	(134)
(Loss)/profit before tax		(240,157)	186,188
Income tax expense	11	<u>–</u>	<u>(81,081)</u>
(Loss)/profit from continuing operations		(240,157)	105,107
Discontinued operations			
Profit/(loss) from discontinued operations		<u>3,766</u>	<u>(4)</u>
(Loss)/profit for the year		<u>(236,391)</u>	<u>105,103</u>
(Loss)/profit for the year attributable to owners of the Company		<u>(236,391)</u>	<u>105,103</u>
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation of functional currency to presentation currency		13,807	(7,195)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>58,397</u>	<u>(22,776)</u>
		<u>72,204</u>	<u>(29,971)</u>
Total comprehensive (loss)/income for the year		<u>(164,187)</u>	<u>75,132</u>
Total comprehensive (loss)/income for the year attributable to owners of the Company		<u>(164,187)</u>	<u>75,132</u>
(Loss)/earning per share for (loss)/ profit from continuing operations attributable to the owners of the Company			
– Basic and diluted (in HK\$)	14	<u>(0.07)</u>	<u>0.03</u>
(Loss)/earning per share for (loss)/ profit for the year attributable to the owners of the Company			
– Basic and diluted (in HK\$)	14	<u>(0.07)</u>	<u>0.03</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTE	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		2,928	4,571
Right-of-use assets		19,816	36,097
Intangible assets		7,084	11,294
Deposits and prepayments	17	36,801	105,198
Prepayments for film and TV programmes rights	15	417,423	362,707
Film and TV programmes rights	16	<u>235,980</u>	<u>118,438</u>
		<u>720,032</u>	<u>638,305</u>
Current assets			
Prepayment for film and TV programmes rights	15	210,865	–
Film and TV programmes rights	16	329,288	803,514
Trade and other receivables, deposits and prepayments	17	304,937	155,120
Contract assets	18	38,349	2,364
Cash and cash equivalents		<u>142,140</u>	<u>256,203</u>
		<u>1,025,579</u>	<u>1,217,201</u>
Total assets		<u><u>1,745,611</u></u>	<u><u>1,855,506</u></u>
Equity			
Share capital		34,727	31,547
Less: Treasury shares		(1,613)	–
Reserves		<u>1,413,319</u>	<u>1,098,683</u>
Total equity		<u><u>1,446,433</u></u>	<u><u>1,130,230</u></u>

	NOTE	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liability			
Lease liabilities		<u>4,218</u>	<u>20,997</u>
Current liabilities			
Trade and other payables	19	85,977	93,860
Film investment funds from investors	20	107,565	188,634
Contract liabilities	18	419	279,250
Borrowings	21	50,036	50,000
Lease liabilities		17,059	15,897
Current tax liabilities		<u>33,904</u>	<u>76,638</u>
		<u>294,960</u>	<u>704,279</u>
Total liabilities		<u>299,178</u>	<u>725,276</u>
Total equity and liabilities		<u><u>1,745,611</u></u>	<u><u>1,855,506</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 the 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.

The Group has ceased the operations of its property agency business and securities trading and investments business during the year.

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 thousands (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and 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 measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions (<i>Note</i>)
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform (Phase 1)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Note: The Group had to change its accounting policies, but no retrospective adjustments were resulted following the early adoption of the amendments to HKFRS 16. The impact of adoption is disclosed in Note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)	1 January 2021
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Projects	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3. CHANGES IN ACCOUNTING POLICIES

The Group has early adopted Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions approximately HK\$908,000 have been accounted for as negative variable lease payments and recognised in other income in the consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2020 (Note 8), with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 January 2020.

4. RESTATEMENTS DUE TO DISCONTINUED OPERATIONS

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 has been restated in order to disclose the discontinued operations separately from continuing operations. As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2019.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the HKCO.

6. REVENUE AND FILM INVESTMENT INCOME, NET

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
Revenue		
– Share of box office income	50,859	787,256
– Sub-licensing of film and TV programmes rights	521,265	11,858
– Other media related revenue	<u>27,749</u>	<u>7,842</u>
	599,873	806,956
Film investment income, net	<u>33,303</u>	<u>7,469</u>
	<u><u>633,176</u></u>	<u><u>814,425</u></u>

7. SEGMENT INFORMATION

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

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

The Group's operations are currently included property agency in Hong Kong and securities trading and investments that organised into one reportable segment which is investment in film and TV programmes rights. Other segments do not meet the reportable segment threshold. Thus, they are not separately included in the reports provided to the CODM. The results of these operations are included in the ‘others’ column. During the year, the Group has either disposed or ceased the operations of the companies within other segment and it is thus presented as discontinued operations.

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

	Continuing operations		Discontinued operations			
	Investment in film and TV		Others		Consolidated	
	programmes rights					
	2020	2019	2020	2019	2020	2019
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue						
Revenue						
– Share of box office income	50,859	787,256	–	–	50,859	787,256
– Sub-licensing of film and TV programmes rights	521,265	11,858	–	–	521,265	11,858
– Other media related revenue	27,749	7,842	–	–	27,749	7,842
	<u>599,873</u>	<u>806,956</u>	<u>–</u>	<u>–</u>	<u>599,873</u>	<u>806,956</u>
Film investment income, net	<u>33,303</u>	<u>7,469</u>	<u>–</u>	<u>–</u>	<u>33,303</u>	<u>7,469</u>
	<u>633,176</u>	<u>814,425</u>	<u>–</u>	<u>–</u>	<u>633,176</u>	<u>814,425</u>
Timing of revenue recognition						
– At a point in time	572,124	799,114	–	–	572,124	799,114
– Over time	27,749	7,842	–	–	27,749	7,842
	<u>599,873</u>	<u>806,956</u>	<u>–</u>	<u>–</u>	<u>599,873</u>	<u>806,956</u>
Segment (loss)/profit	<u>(144,636)</u>	<u>279,417</u>	<u>3,766</u>	<u>(4)</u>	<u>(140,870)</u>	<u>279,413</u>
Unallocated corporate expenses					(90,433)	(93,095)
Finance costs, net					<u>(5,088)</u>	<u>(134)</u>
(Loss)/profit before tax					<u>(236,391)</u>	<u>186,184</u>
Income tax expense					<u>–</u>	<u>(81,081)</u>
(Loss)/profit for the year					<u>(236,391)</u>	<u>105,103</u>
Other information (included in measure of segment (loss)/ profit)						
Other income	21,796	21,371	–	–		
Other gains/(losses), net	21,168	–	–	–		
Depreciation of property, plant and equipment	(424)	(1,120)	–	(1)		
Depreciation of right-of-use assets	(6,755)	(4,639)	–	–		
Amortisation of intangible assets	(4,696)	(4,837)	–	–		
Amortisation of film and TV programmes rights	(637,943)	(466,342)	–	–		
Impairment losses on film and TV programmes rights	(9,117)	–	–	–		
Net impairment losses on financial assets and contract assets	<u>(8,724)</u>	<u>–</u>	<u>–</u>	<u>–</u>		

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit from each segment without allocation of unallocated corporate expenses (which mainly include certain administrative expenses and net foreign exchange losses) and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

8. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
Government grants (<i>Note</i>)	21,734	21,371
Rent concessions	908	–
Sundry income	450	–
	<u>23,092</u>	<u>21,371</u>

Note: The government grants mainly represented the subsidies of approximately RMB18,190,000 (2019: RMB18,464,000) (equivalent to approximately HK\$20,438,000 (2019: HK\$21,371,000)) received from the People's Republic of China (the "PRC") government and HK\$1,296,000 (2019: Nil) received from Employment Support Scheme of the Hong Kong government. There are no unfulfilled conditions or other contingencies attaching to these grants.

9. OTHER GAINS/(LOSSES), NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
Gain on film investment funds from investors (<i>Note</i> 20)	21,168	–
Net foreign exchange gains/(losses)	237	(2,311)
Gain on disposal of property, plant and equipment	–	5
	<u>21,405</u>	<u>(2,306)</u>

10. FINANCE COSTS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
Finance income		
Bank interest income	1,624	3,036
Other interest income	<u>2,063</u>	<u>–</u>
	<u>3,687</u>	<u>3,036</u>
Finance costs		
Finance charges for lease liabilities	(1,244)	(1,592)
Interest expenses for film investment funds from investors	(7,531)	–
Interest on borrowings	–	(2,339)
Net foreign exchange gains on foreign currency denominated borrowings	<u>–</u>	<u>761</u>
	<u>(8,775)</u>	<u>(3,170)</u>
Finance costs, net	<u><u>(5,088)</u></u>	<u><u>(134)</u></u>

11. INCOME TAX EXPENSE

Under the Law of the PRC on Corporate Income Tax (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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 (2019: Same).

No overseas profits tax has been calculated for the group entities that are incorporated in the British Virgin Islands (the “BVI”) or Bermuda as they are exempted from tax (2019: Same).

Income tax expense charged to the profit or loss represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax	–	81,145
Over-provision in prior year	<u>–</u>	<u>(64)</u>
	<u><u>–</u></u>	<u><u>81,081</u></u>

12. EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated) (Note 4)
Continuing operations:		
Employee benefit expenses (excluding directors' remuneration and share-based compensation)	49,335	46,110
Directors' remuneration	27,952	25,199
Share-based compensation to employees	7,205	6,430
Depreciation		
– Property, plant and equipment	1,928	2,244
– Right-of-use assets	15,941	14,091
Short-term lease expense	459	2,754
Legal and professional fees	10,913	8,615
Travelling and entertainment expenses	4,900	9,351
Advertising and marketing expenses	113,468	43,274
Amortisation of intangible assets	4,696	4,837
Amortisation of film and TV programmes rights	637,943	466,342
Impairment losses on film and TV programmes rights	9,117	–
Auditor's remuneration		
– Audit services	2,920	3,150
– Non-audit services	30	365
General office expenses	3,388	2,051
Insurances	1,429	1,369
Others	11,866	10,986
	<hr/>	<hr/>
Total cost of revenue, selling and distribution costs and administrative expenses	903,490	647,168

13. DIVIDENDS

Neither dividends were paid, declared or proposed for the year, nor has any dividend been proposed since the end of reporting period (2019: Same).

14. (LOSS)/EARNING PER SHARE

(a) Basic

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

	2020	2019 (Restated) (Note 4)
(Loss)/profit attributable to owners of the Company		
– Continuing operations (in HK\$'000)	(240,157)	105,107
– Discontinued operations (in HK\$'000)	<u>3,766</u>	<u>(4)</u>
	(236,391)	105,103
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earning per share (in thousands)	3,249,566	3,104,743
From continuing operations (in HK\$)	(0.07)	0.03
From discontinued operations (in HK\$)	<u>–</u>	<u>–</u>
Basic (loss)/earning per share (in HK\$)	<u><u>(0.07)</u></u>	<u><u>0.03</u></u>

(b) Diluted

Diluted (loss)/earning per share is the same as basic (loss)/earning per share as there were no potential dilutive ordinary shares outstanding during the year (2019: Same).

15. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-Current		
Prepayments for film and TV programmes rights (<i>Note (i)</i>)	374,893	350,976
Prepayment for film director's fee	<u>42,530</u>	<u>11,731</u>
	<u>417,423</u>	<u>362,707</u>
Current		
Prepayment for film and TV programmes rights (<i>Note (ii)</i>)	<u>210,865</u>	<u>–</u>

Notes:

- (i) The prepayments for film and TV programmes rights represented the prepayments made by the Group to respective parties in relation to the film and TV programmes rights. 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.
- (ii) The prepayment for film and TV programmes rights represented prepayment made by the Group in relation to the distribution right, broadcasting right, new media broadcasting right and related income rights of a film.

16. FILM AND TV PROGRAMMES RIGHTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Film and TV programmes rights completed (<i>Note a</i>)	92,510	542,788
Film and TV programmes rights under production (<i>Note b</i>)	167,479	259,633
Film rights investments (<i>Note c and d</i>)	164,331	99,897
Licensed film and TV programmes rights (<i>Note e</i>)	<u>140,948</u>	<u>19,634</u>
	565,268	921,952
Less: Current portion	<u>(329,288)</u>	<u>(803,514)</u>
	<u>235,980</u>	<u>118,438</u>

Notes:

- (a) As at 31 December 2019, the film and TV programmes rights completed includes a film right of approximately HK\$349,907,000 in respect of a film *Lost in Russia* (囧媽) where the Group entered into several agreements with Mr. Xu Zheng, the non-executive director of the Company, and Beijing Joy Leader Culture Communication Co. Ltd. (北京真樂道文化傳播有限公司), a company which is owned as to 51% by Mr. Xu Zheng. For details, please refer to the Company's circular dated 23 May 2019.
- (b) During the year, the Group has recognised provision for impairment of film and TV programmes rights under production of approximately HK\$9,117,000 (2019: Nil)
- (c) The balance represented the Group's investments in film productions which entitled the Group to predetermined percentage of income to be generated from the films based on the Group's investment portion as specified in respective film rights investments agreements.
- (d) During the year, the Group has recognised film investment income amounted to approximately HK\$33,303,000 (2019: HK\$7,469,000) based on the Group's investment portion as specified in respective film rights investments agreements.
- (e) The balance represented the acquired license rights from independent third parties for broadcasting licensed films or TV programmes series on the Group's online video platform or sub-licensing the license rights to other independent third parties.

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
– Share of box office income	1,152	–
– Sub-licensing of film and TV programmes rights	35,029	2,816
– Film rights investments	49,747	106,316
– Others	1,204	349
	<u>87,132</u>	<u>109,481</u>
Loss allowances	<u>(8,606)</u>	<u>(257)</u>
	<u>78,526</u>	<u>109,224</u>
Deposits	6,395	6,287
Prepayments (<i>Note (i)</i>)	93,620	124,874
Other receivables (<i>Note (ii)</i>)	164,306	19,933
Loss allowances	<u>(1,109)</u>	<u>–</u>
	<u>263,212</u>	<u>151,094</u>
	341,738	260,318
Less: Amounts due within one year shown under current assets	<u>(304,937)</u>	<u>(155,120)</u>
Non-current portion	<u><u>36,801</u></u>	<u><u>105,198</u></u>

Notes:

- (i) The prepayments mainly represented the prepayments made by the Group in relation to acquisition of licensed film rights from independent third parties for broadcasting on the Group's online video platform.
- (ii) As at 31 December 2020, other receivables included short-term loan receivables net of loss allowances of approximately HK\$124,911,000. The loan receivables of approximately HK\$71,948,000 carried interest at 10% per annum and a loan receivable of approximately HK\$52,963,000 is interest free.

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.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	30,108	3,976
181 – 365 days	3,610	11,364
Over 365 days	<u>44,808</u>	<u>93,884</u>
	<u><u>78,526</u></u>	<u><u>109,224</u></u>

18. CONTRACT ASSETS AND LIABILITIES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract assets	38,411	2,364
Loss allowances	<u>(62)</u>	<u>–</u>
Total contract assets	<u><u>38,349</u></u>	<u><u>2,364</u></u>
Contract liabilities	<u><u>419</u></u>	<u><u>279,250</u></u>

As at 31 December 2020, contract assets represented unbilled revenue arisen from the sub-licensing of film and TV programmes rights in accordance with the payment terms as stipulated in the respective contracts (2019: Same).

As at 31 December 2019, contract liabilities mainly represented the receipt of RMB250,000,000, equivalent to approximately HK\$278,831,000, in respect of a guaranteed minimum distribution income totalling RMB600,000,000 from distribution of a film. This contract liability has been released and repaid upon cancellation of distribution agreement during the year ended 31 December 2020. The amount disclosed above does not include variable consideration which is constrained.

19. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	58,490	67,851
Other payables	16,923	10,314
Accruals	<u>10,564</u>	<u>15,695</u>
	<u><u>85,977</u></u>	<u><u>93,860</u></u>

The carrying amounts of trade and other payables 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	20,255	23,483
31 – 90 days	2,384	–
181 – 365 days	4,289	3,246
Over 365 days	<u>31,562</u>	<u>41,122</u>
	<u><u>58,490</u></u>	<u><u>67,851</u></u>

20. 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 gain on film investment funds from investors amounted to approximately HK\$21,168,000 upon the public exhibition 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.

21. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unsecured borrowings	<u>50,036</u>	<u>50,000</u>

As at 31 December 2020, the borrowing was interest-free and repayable within one year (2019: Same).

The fair values of the borrowings are not materially different to their carrying amounts due to short-term in nature.

22. EVENT AFTER THE REPORTING PERIOD

On 15 March 2021, Huan Huan Xi Xi (Tianjin) Culture Investment Company Limited* (歡歡喜喜(天津)文化投資有限公司) (“Huanxi”) (an indirect wholly-owned subsidiary of the Company) entered into a distribution agreement with the minimum guarantor in relation to *Li Na* (獨自•上場) (former title: *Li Na* (李娜)), where the minimum guarantor shall have the exclusive right to distribute *Li Na* (獨自•上場) in the PRC. Pursuant to which, the minimum guarantor shall pay Huanxi a consideration for minimum guaranteed distribution of at least RMB600,000,000 (equivalent to approximately HK\$714,796,000).

Please refer to the Company’s announcement dated 15 March 2021 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Investment in Film and TV Programmes Rights Business

Due to the outbreak of the Coronavirus Disease 2019 pandemic (the “Pandemic”) in 2020, the film and TV industry experienced the most severe winter. Despite challenging market environment, the Group explored opportunities using its extensive industry experience and flexible operations strategy. Adhering to its philosophy of “importance of contents”, the Group actively produced premium film and TV productions and it endeavoured to develop its online video platform business, consequently winning critical acclaim from audiences. Since the suspension of operations of all cinemas across the nation, the Group has taken the initiative to debut the film *Lost in Russia* (囧媽) on online video platforms in Chinese New Year, initiating the trend of releasing Chinese New Year films online, thereby raising the awareness and extending the audience coverage of the Group’s online video platform “huanxi.com” (歡喜首映). The Group also capitalised on its strategic cooperation with online video platforms, TV terminals and projector terminals to further facilitate the development of the “huanxi.com” business. The productions which were produced and invested by the Group, including *Leap* (奪冠) (former title: *Leap* (中國女排)), *My People, My Homeland* (我和我的家鄉) and *Warm Hug* (溫暖的抱抱) also generated robust box office receipts, demonstrating the competitiveness of premium films in the market.

For the year ended 31 December 2020, revenue from investment in the film and TV programmes rights business amounted to HK\$633,176,000 (2019: HK\$814,425,000), came from the box office income of the Group’s films released in cinema circuits and the revenue from sub-licensing the film and TV programmes rights during the year, including *Lost in Russia* (囧媽), *Leap* (奪冠), *My People, My Homeland* (我和我的家鄉), *One Second* (一秒鐘), *Warm Hug* (溫暖的抱抱) and internet drama series *Run For Young* (風犬少年的天空). However, because of the delay in debut of films on cinema screens caused by the Pandemic, impact on the box office receipts by the implementation of prevention and control measures, combined with the increase of amortised expenses of film rights for the increase of production and purchase of film rights for optimisation and update of contents of “huanxi.com” online video platform and the increase of selling and distribution costs for strengthening the promotion of contents of the online video platform by the Group during the year, revenue from this business incurred a year-on-year decline and recorded a loss of HK\$144,636,000 (2019: profit of HK\$279,417,000).

Lost in Russia (囧媽), which was solely invested by the Group and written, directed, produced by and starring Xu Zheng, was unable to hit cinema screens amidst the Pandemic. Hence, the Group forged cooperation with Beijing ByteDance Network Technology Limited* (北京字節跳動網絡技術有限公司) (“ByteDance”) for the release of *Lost in Russia* (囧媽) on internet platforms on the first day of the Chinese New Year. Through this movie, the Group received license fees paid by ByteDance and shared the income related to this broadcast, bringing considerable revenue to the Group.

* For identification purposes only

During the year, four movies co-produced by the Group were debuted on cinema screens, including *Leap* (奪冠), *My People, My Homeland* (我和我的家鄉), *One Second* (一秒鐘) and *Warm Hug* (溫暖的抱抱). Although *Leap* (奪冠) postponed its release from the Chinese New Year holiday to the National Day holiday due to the Pandemic, the film, which presents the enchanting story about the struggles of the China women's national volleyball team players, made it, together with *My People, My Homeland* (我和我的家鄉), a comedy film that the Group invested, to China's Top 10 highest-grossing movies in 2020. *Warm Hug* (溫暖的抱抱), directed by Chang Yuan, hit the big screen during the New Year holiday, and generated box office receipts that amounted to nearly RMB200 million on its premiere. *One Second* (一秒鐘), directed by Zhang Yimou and released at the end of the year, narrates the film industry practitioners' sentiment towards celluloid movies, which resonated among movie fans.

In addition, the Group continued planning and producing several blockbusters during the year, including *Li Na* (獨自•上場) (former title: *Li Na* (李娜)), directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc.; *Miss Mom* (尋漢計) (former title: *Miss Mom* (生不由己)), directed by Tang Dalian and starring Ren Suxi; *Tropical Memories* (熱帶往事), produced by Ning Hao and directed by young director Wen Shippei; *Leaping Over The Dragon Gate* (龍門相) (former title: *The Advanced Animals* (高級動物)), produced by Gao Qunshu; and *The Mountain* (上山), produced by Wang Xiaoshuai. These movies have either reached their post-production stage or are nearly completed, and are expected to hit cinema screens in 2021. As for the Group's investment in internet drama series, *Paradise Guesthouse* (天堂旅館), a 12-episode internet drama produced and co-directed by Wong Kar Wai, is undergoing preliminary preparation work and making good progress.

As regards its online video platform and after tracking the current increasingly popular viewing trend, the Group has entered into strategic cooperation agreements with many leading online video platforms, TV terminals and projector terminals in China during the year in a bid to constantly extend the reach of "huanxi.com" across audiences. During the year under review, the Group not only obtained a strategic investment of HK\$513 million from Bilibili, both parties also signed a cooperation agreement. Pursuant to the agreement, Bilibili will set up a "huanxi.com" designated channel on its platforms; certain film and TV contents of the Group will be broadcast on "huanxi.com" and Bilibili's platforms; Bilibili will be given priority to invest in film and TV projects that are majority-owned by the Group; and both parties will cooperate to develop derivatives of the Group's film and TV content. We believe that the cooperation will enable licensed content to reach a wider audience, bring in more revenue to the Group and increase the popularity of "huanxi.com". Contents such as the internet drama series *Run For Young* (風犬少年的天空), solely invested by the Group, and the movies *Leap* (奪冠), *One Second* (一秒鐘) and *Warm Hug* (溫暖的抱抱) which the Group produced and has exclusive new media broadcasting right, were released gradually on "huanxi.com" and Bilibili's platforms simultaneously.

In addition, the Group also forged cooperation with Huawei TV, Huawei smartphone, Mi TV, Xiaomi smartphone, Mango TV, Hisense TV, Skyworth TV, TCL TV, LeTV Super TV and Xgimi Projector to set up designated zones for “huanxi.com” on those mobile phones, TV terminals and platforms operated by these partners. In February 2021, the Group announced its enhanced strategic cooperation with Huawei Video, under which the Group will offer premium film and TV content on “huanxi.com” designated zone on AiMax Cinema of Huawei Video, and both parties will share related revenue from fee-paying subscribers. During the 2021 Spring Festival, films including *Leap* (奪冠) in 4K ultrahigh-definition, *One Second* (一秒鐘) and *Warm Hug* (溫暖的抱抱) were released.

It is worth mentioning that, in March 2021, the Group announced that “huanxi.com” will land on the LeTV Super TV. In addition to blockbusters and selected films from “huanxi.com” being released and recommended through designated zone or in other forms in the LeTV Super TV terminals, “huanxi.com” membership will be integrated into the “All-inclusive Family Member Plan” (超級家庭會員) system of LeTV Super TV. According to publicly available information, there are currently approximately 18 million (18,000,000) active terminals of LeTV Super TV, covering 55 million (55,000,000) users, and the cooperation will cover all of the terminals of LeTV Super TV. In combination with the cooperation with the above mainstream channels, “huanxi.com” reaches a majority of domestic big screen terminal users.

The Group also sourced premium film and TV productions from around the world for broadcast on the “huanxi.com” platform, including quality overseas TV dramas such as *All Creatures Great and Small* (萬物生靈), *Staged* (舞台劇), *Quiz* (問答) and *World on Fire* (戰火浮生); as well as overseas movies such as *Never Look Away* (無主之作) and *Talking the Pictures* (默片解說員). Currently, “huanxi.com” has accumulated over 8 million (8,000,000) fee-paying subscribers, while the APP of “huanxi.com” has been downloaded over 33 million (33,000,000) times. The new version of “huanxi.com” APP was released before the Chinese New Year holiday in 2021 with features to strengthen cooperation of “huanxi.com” with major channel partners. The Group will constantly optimise and update contents on the platform and it will forge partnerships and purchase high-quality contents so as to expand its extensive subscriber base, thus intensifying efforts to facilitate the operation and development of the Group’s online video platform.

Other Businesses (Discontinued Operations)

Reference is made to the announcement of the Company dated 9 October 2020, in which it was mentioned that, the Group would focus resources on business in investment in film and TV programmes rights and operation of the online video platform “huanxi.com” (歡喜首映), the Group has ceased the operations of property agency business and securities trading and investments business (“Other Businesses”) during the year ended 31 December 2020. For the year under review, the Other Businesses did not record any revenue (2019: Nil) and recorded segmental profit of HK\$3,766,000 (2019: loss of HK\$4,000).

Impact of the Pandemic

The outbreak of the Pandemic at the beginning of 2020 posed significant impacts to the global film industry. Cinemas in Mainland China suspended their operations and only resumed business from July 2020. All films were required to cancel their release schedules in Chinese New Year. Among them, *Lost in Russia* (囧媽), a Chinese New Year film which the Group invested, changed to be broadcast on online video platforms, while the release of *Leap* (奪冠) was postponed to the National Day holiday in 2020. Moreover, box office receipts have been adversely affected by the decline in cinema admissions as a result of various prevention and control measures.

In this regard, the Group through the distribution agreement in relation to *Li Na* (獨自•上場) (former title: *Li Na* (李娜)), a film in production exclusively invested by the Group, directed by Mr. Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc., granting the distribution right of the film in the PRC in order to receive from the minimum guarantor a consideration for minimum guaranteed distribution of at least RMB600,000,000. Therefore, the Group will be able to eliminate risks associated with the film's box office, recover the investment cost in advance and secure considerable profit in relation to the film project.

The Group will pay close attention to the development of the Pandemic and its impact on the media market, and it will continue to take proactive measures to minimise its impact on the Group's business operations and financial results.

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2020, the Group recorded revenue and film investment income of HK\$633,176,000 (2019: HK\$814,425,000) and a net loss of HK\$236,391,000 (2019: profit of HK\$105,103,000). The net loss and the decrease of revenue were mainly due to the delay in debut of films on cinema screens caused by the Pandemic, impact on the box office receipts by the implementation of prevention and control measures, combined with the increase of amortised expenses of film rights for the increase of production and purchase of film rights for optimisation and update of contents of "huanxi.com" online video platform and the increase of selling and distribution costs for strengthening the promotion of contents of the online video platform by the Group during the year.

For the year ended 31 December 2020, loss per share of the Group amounted to HK\$0.07 (2019: earning per share of HK\$0.03) and net asset value per share attributable to owners of the Company was HK\$0.42 (2019: HK\$0.36).

Liquidity and Financial Resources

During the year ended 31 December 2020, the Group's capital expenditure, daily operations and investments are mainly funded by equity fund raising and borrowings. As at 31 December 2020, the Group had net current assets of HK\$730,619,000 (2019: HK\$512,922,000), with cash and cash equivalents of HK\$142,140,000 (2019: HK\$256,203,000). As at 31 December 2020, the total equity of the Company amounted to HK\$1,446,433,000 (2019: HK\$1,130,230,000) with total borrowings of HK\$50,036,000 (2019: HK\$50,000,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.03 (2019: 0.04) as at 31 December 2020. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2020, the Company had 3,472,732,362 ordinary shares (2019: 3,154,655,408) of HK\$0.01 each in issue (the "Share" or "Shares").

During the year ended 31 December 2020, the movement in the issued Shares of the Company are as follows:

1. On 30 August 2020, the Company entered into the subscription agreement ("Subscription Agreement") with Bilibili Inc. ("Bilibili"), pursuant to which the Company has allotted and issued to Bilibili 346,626,954 ordinary Shares ("Subscription Shares") of aggregate nominal value of HK\$3,466,269.54 at the subscription price of HK\$1.480 per Subscription Share (the "Subscription"). The net price received by the Company was approximately HK\$1.476 per Subscription Share. The closing price of the Shares on the date of entering into the Subscription Agreement was HK\$1.520 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
2. The Group repurchased 29,790,000 ordinary shares for an aggregate consideration of approximately HK\$38,409,000 (before expenses). Out of 29,790,000 ordinary shares repurchased during the year ended 31 December 2020, 28,550,000 shares were cancelled during the year while the remaining 1,240,000 shares were cancelled on 29 January 2021.

Please refer to the section "Purchase, Sale or Redemption of the Company's Listed Securities" in this announcement for details.

Charges on Assets

As at 31 December 2020, the Group did not have any charge on assets (2019: Same).

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 mainland China 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 2020, the Group had no significant contingent liabilities (2019: The Group has significant contingent liabilities arose from one litigation).

Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Employees and Remuneration Policies

The Group firmly believes high-caliber people are the most valuable asset of a corporation. The Group thus places great attention on attracting and nurturing talent. It has kept optimising its staff structure to match its development strategy and business needs. As at 31 December 2020, the Group had 101 employees (2019: 97). It hired more employees during the year under review to support the expanding of its business. 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.

Event After the Reporting Period

On 15 March 2021, Huan Huan Xi Xi (Tianjin) Culture Investment Company Limited* (歡歡喜喜(天津)文化投資有限公司) (“Huanxi”)(an indirect wholly-owned subsidiary of the Company) entered into a distribution agreement with the minimum guarantor in relation to *Li Na* (獨自•上場) (former title: *Li Na* (李娜)), a film exclusive invested by the Group, directed by Mr. Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc., where the minimum guarantor shall have the exclusive right to distribute *Li Na* (獨自•上場) through cinema circuits and cinemas in cities located in the PRC, from the effective date of the distribution agreement to the expiry of the tenth anniversary of the first release date of *Li Na* (獨自•上場) in the PRC. Pursuant to which, the minimum guarantor shall pay Huanxi a consideration for minimum guaranteed distribution of at least RMB600,000,000 (equivalent to approximately HK\$714,796,000).

Please refer to the Company’s announcement dated 15 March 2021 for details.

Business Strategies and Prospects

To tackle the impact brought by the Pandemic, relevant government departments in China have implemented supportive policies and offered subsidies and support to the film companies, cinemas or film and TV production bases that were adversely affected by the Pandemic, thus enabling China’s film market to be among the first to recover in the world and to sustain its momentum.

Looking ahead in 2021, various random cases bring uncertainty to the film and TV industry and the macro-economy, but we believe that following the mass vaccinations, the situation of the Pandemic will be improved. Despite getting clouded by the Pandemic, quality films and TV programmes remain to be the principal pop culture that the public needs. With the combination of strong support from different policies and increase of consumer spending, the film and TV industry has resumed its operation and it is likely to bottom out, seize new development opportunities and rise up to new heights.

After the year under review, in March 2021, the Group through the distribution agreement in relation to *Li Na* (獨自•上場) (former title: *Li Na* (李娜)), a film in production exclusively invested by the Group, directed by Mr. Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, etc., granting the distribution right of the film in the PRC in order to receive from the minimum guarantor a consideration for minimum guaranteed distribution of at least RMB600,000,000. Therefore, the Group will be able to eliminate risks associated with the film’s box office, recover the investment cost in advance and secure considerable profit in relation to the film project.

* For identification purposes only

By focusing on producing quality content, the Group will work with top directors in China to develop and produce more premium content. It will also actively seek to partner with new directors to refresh our team and deliver original and premium film and TV productions. By delivering remarkable works to audiences and strengthening its cooperation with leading strategic partners in China, the Group is expanding the user base of “huanxi.com”, and will strive to build “huanxi.com” into the best online video platform with unique style, so as to secure audiences who seek premium film and TV content. As part of China’s huge film and TV industry, the Group will stand firm in the face of adversities, produce more quality original content and create higher returns to our shareholders.

OTHER INFORMATION

Corporate Governance Practices

Throughout the year ended 31 December 2020, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as listed 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

During the year ended 31 December 2020, a subsidiary of the Company repurchased a total of 29,790,000 ordinary shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$38,409,000 (before expenses). Out of 29,790,000 ordinary shares repurchased during the year ended 31 December 2020, 28,550,000 shares were cancelled during the year while the remaining 1,240,000 shares were cancelled on 29 January 2021.

Details of the shares repurchased during the year are as follows:

Month	Number of shares repurchased	Price paid per share		Aggregate consideration (before expenses) <i>HK\$</i>
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
December 2020	29,790,000	1.36	1.00	38,409,100

The above share repurchase was made with a view to enhancing the value of the shares of the Company thereby improving the return to shareholders of the Company. In addition, the share repurchase reflects the Company’s recognition of its own value and its confidence in the long-term prospects of the industry.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 2020.

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 2020.

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 2020 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 in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance 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 2021

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.