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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Huanxi Media Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 together with the comparative amounts for the corresponding period in 2020. The unaudited condensed consolidated interim financial information of the Group have been reviewed by the Company’s audit committee.

* *For identification purposes only*

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

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	HK\$'000	<i>HK\$'000</i> (Restated) (Note 16)
Continuing operations			
Revenue and film investment income, net	4	151,726	492,065
Cost of revenue	6	<u>(166,453)</u>	<u>(364,880)</u>
Gross (loss)/profit		(14,727)	127,185
Other income		1,831	15,665
Other losses, net		(6,946)	(189)
Selling and distribution costs	6	(19,157)	(50,037)
Administrative expenses	6	<u>(56,386)</u>	<u>(53,997)</u>
Operating (loss)/profit		(95,385)	38,627
Finance income		3,974	872
Finance costs		<u>(5,795)</u>	<u>(704)</u>
Finance (costs)/income, net		(1,821)	168
(Loss)/profit before tax		(97,206)	38,795
Income tax expense	7	<u>–</u>	<u>(18,456)</u>
(Loss)/profit from continuing operations		(97,206)	20,339
Discontinued operations			
Loss from discontinued operations	15	<u>–</u>	<u>(8)</u>
(Loss)/profit for the period		<u>(97,206)</u>	<u>20,331</u>
(Loss)/profit for the period attributable to owners of the Company		<u>(97,206)</u>	<u>20,331</u>

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	HK\$'000	<i>HK\$'000</i> (Restated) (Note 16)
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		1,407	(5,971)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>9,973</u>	<u>(18,233)</u>
		<u>11,380</u>	<u>(24,204)</u>
Total comprehensive loss for the period		<u>(85,826)</u>	<u>(3,873)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(85,826)</u>	<u>(3,873)</u>
(Loss)/earning per share for (loss)/profit from continuing operations attributable to the owners of the Company			
– Basic and diluted (HK dollar)	9	<u>(0.03)</u>	<u>0.01</u>
(Loss)/earning per share for (loss)/profit for the period attributable to the owners of the Company			
– Basic and diluted (HK dollar)	9	<u>(0.03)</u>	<u>0.01</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		2,095	2,928
Right-of-use assets		11,268	19,816
Intangible assets		4,746	7,084
Other assets		3,304	–
Deposits and prepayments	12	58,714	36,801
Prepayments for film and TV programmes rights	10	420,540	417,423
Film and TV programmes rights	11	237,282	235,980
		737,949	720,032
Current assets			
Prepayments for film and TV programmes rights	10	260,598	210,865
Film and TV programmes rights	11	410,487	329,288
Trade and other receivables, deposits and prepayments	12	483,604	304,937
Contract assets		87,976	38,349
Cash and cash equivalents		252,372	142,140
		1,495,037	1,025,579
Total assets		2,232,986	1,745,611

		30 June	31 December
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity			
Share capital		36,768	34,727
Treasury shares		(23,574)	(1,613)
Reserves		<u>1,766,862</u>	<u>1,413,319</u>
Total equity		<u>1,780,056</u>	<u>1,446,433</u>
Non-current liability			
Lease liabilities		<u>–</u>	<u>4,218</u>
Current liabilities			
Trade and other payables	13	149,604	85,977
Film investment funds from investors		139,901	107,565
Contract liabilities		419	419
Borrowings	14	116,489	50,036
Lease liabilities		12,805	17,059
Current tax liabilities		<u>33,712</u>	<u>33,904</u>
		<u>452,930</u>	<u>294,960</u>
Total liabilities		<u>452,930</u>	<u>299,178</u>
Total equity and liabilities		<u><u>2,232,986</u></u>	<u><u>1,745,611</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The unaudited condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the unaudited condensed consolidated interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2020 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and any public announcements made by the Company during the six months ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards.

2. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

A number of amendments to standards have been issued and are effective from 1 January 2021. The Group applies these amendments for the first time in 2021, but do not have a material impact on the unaudited condensed consolidated interim financial information of the Group.

(b) New standards, amendments to standards and interpretation that have been issued but are not effective

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

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
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
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
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
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

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment, management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments to existing standards when they become mandatory.

3. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2020.

4. REVENUE AND FILM INVESTMENT INCOME, NET

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations:		
Revenue		
– Sub-licensing of film and TV programmes rights	62,990	477,693
– Share of box office income	1,678	75
– Other media related revenue	71,856	14,297
	<u>136,524</u>	<u>492,065</u>
Film investment income, net	<u>15,202</u>	<u>–</u>
	<u>151,726</u>	<u>492,065</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 CODM has determined the operating segments based on these reports.

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

The Group's operations are currently organised into one reportable segment which is investment in film and TV programmes rights. Other segments included property agency in Hong Kong and securities trading and investments that 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 ended 31 December 2020, 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:

	Six months ended 30 June					
	Continuing operations		Discontinued operations		Consolidated	
	Investment in film and TV programmes rights		Others			
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue						
Revenue						
– Sub-licensing of film and TV programmes rights	62,990	477,693	–	–	62,990	477,693
– Share of box office income	1,678	75	–	–	1,678	75
– Other media related revenue	71,856	14,297	–	–	71,856	14,297
	<u>136,524</u>	<u>492,065</u>	<u>–</u>	<u>–</u>	<u>136,524</u>	<u>492,065</u>
Film investment income, net	<u>15,202</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,202</u>	<u>–</u>
	<u>151,726</u>	<u>492,065</u>	<u>–</u>	<u>–</u>	<u>151,726</u>	<u>492,065</u>
Timing of revenue recognition						
– At a point in time	64,668	477,768	–	–	64,668	477,768
– Over time	71,856	14,297	–	–	71,856	14,297
	<u>136,524</u>	<u>492,065</u>	<u>–</u>	<u>–</u>	<u>136,524</u>	<u>492,065</u>
Segment (loss)/profit	<u>(64,716)</u>	<u>69,847</u>	<u>–</u>	<u>(8)</u>	<u>(64,716)</u>	<u>69,839</u>
Unallocated corporate expenses					(30,669)	(31,220)
Finance (costs)/income, net					<u>(1,821)</u>	<u>168</u>
(Loss)/profit before tax					<u>(97,206)</u>	<u>38,787</u>
Income tax expense					<u>–</u>	<u>(18,456)</u>
(Loss)/profit for the period					<u>(97,206)</u>	<u>20,331</u>
Other information (included in measure of segment (loss)/ profit)						
Depreciation of property, plant and equipment	(214)	(332)	–	–		
Depreciation of right-of-use assets	(3,609)	(3,303)	–	–		
Amortisation of intangible assets	(2,395)	(2,412)	–	–		
Amortisation of film and TV programmes rights	<u>(121,611)</u>	<u>(362,709)</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 described in the annual consolidated financial statements for the year ended 31 December 2020. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of unallocated corporate expenses, finance costs, net and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
		(Note 16)
Continuing operations:		
Employee benefit expenses (excluding directors' remuneration and share-based compensation)	25,248	21,366
Directors' remunerations	7,124	6,873
Share-based compensation to employees	154	1,159
Depreciation		
– Property, plant and equipment	890	980
– Right-of-use assets	7,624	8,037
Short-term lease expense	57	205
Legal and professional expenses	3,326	3,723
Travelling and entertainment expenses	2,565	2,413
Advertising and marketing expenses	19,157	50,037
Amortisation of intangible assets	2,395	2,412
Amortisation of film and TV programmes rights	121,611	362,709
Platform promotion expenses	42,470	–
Auditors' remuneration	–	200
Others	9,375	8,800
	<hr/>	<hr/>
Total cost of revenue, selling and distribution costs and administrative expenses	<u>241,996</u>	<u>468,914</u>

7. INCOME TAX EXPENSE

Under the Law of the People's Republic of China ("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 periods. No provision for Hong Kong profits tax has been made in the unaudited condensed consolidated interim financial information as the relevant group entities have incurred tax losses (for the six months ended 30 June 2020: 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 (for the six months ended 30 June 2020: Same).

Income tax expense charged to the profit or loss represents:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations:		
Current tax	–	18,456
	<u>–</u>	<u>18,456</u>

8. DIVIDENDS

Neither dividends were paid, declared or proposed for the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of both reporting periods.

9. (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 six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021	2020
		(Restated) (Note 16)
(Loss)/profit attributable to owners of the Company		
– Continuing operations (in HK\$'000)	(97,206)	20,339
– Discontinued operations (in HK\$'000)	–	(8)
	<u>(97,206)</u>	<u>20,331</u>
Weighted average number of ordinary shares for basic and diluted (loss)/earning per share (in thousands)	3,501,956	3,154,655
From continuing operations (in HK\$)	(0.03)	0.01
From discontinued operations (in HK\$)	–	–
	<u>–</u>	<u>–</u>
Basic (loss)/earning per share (in HK\$)	<u>(0.03)</u>	<u>0.01</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 six months ended 30 June 2021 (for the six months ended 30 June 2020: Same).

10. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-Current		
Prepayments for film and TV programmes rights (<i>Note (i)</i>)	377,909	374,893
Prepayments for film director's fee	<u>42,631</u>	<u>42,530</u>
	420,540	417,423
Current		
Prepayments for film and TV programmes rights (<i>Note (ii)</i>)	<u>260,598</u>	<u>210,865</u>
Total	<u>681,138</u>	<u>628,288</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.

11. FILM AND TV PROGRAMMES RIGHTS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Film and TV programmes rights completed	60,301	92,510
Film and TV programmes rights under production	145,390	167,479
Film rights investments (<i>Note (i)</i>)	300,664	164,331
Licensed film and TV programmes rights (<i>Note (ii)</i>)	141,414	140,948
	647,769	565,268
Less: Current portion	(410,487)	(329,288)
	237,282	235,980

Notes:

- (i) 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.
- (ii) 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 and sub-licensing the license rights to other independent third parties, if applicable.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Trade receivables		
– Sub-licensing of film and TV programmes rights	45,799	35,029
– Share of box office income	1,162	1,152
– Film rights investment	29,950	49,747
– Others	<u>45,503</u>	<u>1,204</u>
	122,414	87,132
Loss allowance	<u>(8,676)</u>	<u>(8,606)</u>
	113,738	78,526
Deposits	6,413	6,395
Prepayments (<i>Note (i)</i>)	135,816	93,620
Other receivables (<i>Note (ii) & (iii)</i>)	287,466	164,306
Loss allowances	<u>(1,115)</u>	<u>(1,109)</u>
	<u>428,580</u>	<u>263,212</u>
	542,318	341,738
Less: Amounts due within one year shown under current assets	<u>(483,604)</u>	<u>(304,937)</u>
Non-current portion	<u><u>58,714</u></u>	<u><u>36,801</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 30 June 2021, other receivables included short-term loan receivables net of loss allowances of approximately HK\$172,548,000 (31 December 2020: HK\$124,911,000). The loan receivables of approximately HK\$69,585,000 (31 December 2020: HK\$71,948,000) carried interest at 10% per annum and interest-free loan receivables of approximately HK\$102,963,000 (31 December 2020: HK\$52,963,000).

- (iii) As at 30 June 2021, the Group has pledged other receivables amounting to approximately HK\$48,520,000 (31 December 2020: Nil) to a third party to obtain a borrowing amounting to approximately HK\$48,036,000 (31 December 2020: Nil).

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.

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
0 – 30 days	84,966	30,108
181–365 days	–	3,610
Over 365 days	28,772	44,808
	<u>113,738</u>	<u>78,526</u>

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values.

13. TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade payables	131,628	58,490
Other payables	8,362	16,923
Accruals	9,614	10,564
	<u>149,604</u>	<u>85,977</u>

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

The ageing analysis of the trade payables based on invoice date or date of settlement statement are as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
0 – 30 days	77,459	20,255
31 – 90 days	–	2,384
181–365 days	18,854	4,289
Over 365 days	35,315	31,562
	<u>131,628</u>	<u>58,490</u>

14. BORROWINGS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Unsecured borrowing	50,439	50,036
Secured borrowings	66,050	–
	<u>116,489</u>	<u>50,036</u>

The unsecured borrowing was interest-free (31 December 2020: Same).

The secured borrowings of approximately HK\$18,014,000 and HK\$48,036,000 were secured by a contract asset and other receivables of approximately HK\$29,720,000 (31 December 2020: Nil) and HK\$48,520,000 (31 December 2020: Nil) respectively. The interest rate of secured borrowings ranged from 0% to 12% per annum (31 December 2020: Nil).

The borrowings were repayable within one year (31 December 2020: Same).

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

15. DISCONTINUED OPERATIONS

On 9 October 2020, the Group entered into a disposal agreement with an independent third party to dispose the entire equity interests in a group of wholly-owned subsidiaries. The disposal is effective from 9 October 2020. Moreover, on 9 October 2020, the Group also decided to cease the operation and applied for deregistration of a subsidiary within other segment. As such, they had been reported as discontinued operations for the year ended 31 December 2020.

16. COMPARATIVE FIGURES

The presentation of comparative information in respect of the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 has been restated in order to disclose the discontinued operations separately from continuing operations. As the restatements do not affect the unaudited condensed consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Investment in Film and TV Programmes Rights Business

Huanxi Media Group Limited (the “Company” or “Huanxi Media”, together with its subsidiaries, the “Group”) achieved steady progression during the six months ended 30 June 2021 (the “Period”). While the recovery of the film and television industry continued to be turbulent during the Period, the Group remained resilient owing to its extensive industry experience, comprehensive strategic deployment and quality film and TV content. During the Period, the COVID-19 pandemic (the “Pandemic”) was largely brought under control in Mainland China, but cinemas in some provinces and cities were forced to close once again due to sporadic local outbreaks. Moreover, cinema admissions have not yet returned to normal, pre-pandemic levels due to ongoing anti-epidemic preventive measures. Consequently, the box office income of the Group was affected, but in the meantime audiences have shifted their preference to streaming movies online, which has in turn resulted in the satisfactory development of the Group’s online video platform.

During the Period, the film *Miss Mom* (尋漢計), produced by the Group and directed by Tang Dalian, was released in cinema circuits and won acclaim. The movie starred Ren Suxi presented the real-life problems faced by urban women today, namely work worries, difficulties in maintaining a social life, and the struggle to find true love. The laughter and tears shared in the story reflected the warmth and vulnerability inside all of us, which resonated with audiences. In addition, the film *Are You Lonesome Tonight?* (熱帶往事), co-produced by the Group, produced by Ning Hao and directed by Wen Shipei, tells a hit-and-run story through several different perspectives and across time periods at a thrilling rhythmic pace, with the lead roles played by Peng Yu Yan Eddie and Chang Ai-chia Sylvia.

The Group has also actively cooperated with other strategic partners in order to enrich its creative team and its film and TV contents. In June, the Group entered into a cooperation agreement for a term of three years with Shanghai Hanna Pictures Culture Media Company Limited and Huang Bo, a famous director and actor, for joint investment in and the development of quality film and TV productions. All parties concerned have confirmed that the first film collaborated on is the film *Papa* (學爸), written and directed by Su Liang and starring Huang Bo. The Group believes that the cooperation will facilitate its access to opportunities in film and TV and new media investments, as well as enrich the content and accelerate the business development of its online video platform, “huanxi.com”.

The Group continuously strengthened cooperation between “huanxi.com” and various major channel partners during the Period. The “huanxi.com” applet was registered on Kuaishou, Douyin, WeChat and Baidu to further increase the Group’s influence in the field of online video media. Users of the four social apps and search engines can access the interface of the “huanxi.com” applet by searching for “huanxi.com” or related movie titles and can then complete the registration and payment processes and view content directly, thus allowing users to enjoy the various online video services of “huanxi.com” in a convenient manner. Subsequent to 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 mobile applications, TV terminals and platforms operated by these partners, “huanxi.com” has successfully reached a larger audience. Currently, the APP of “huanxi.com” has been downloaded over 35 million (35,000,000) times since launching; while “huanxi.com” has accumulated over 10 million (10,000,000) fee-paying subscribers. During the Period, the Group recorded other media related revenue of HK\$71,856,000 (30 June 2020: HK\$14,297,000) which increased over four times compared with the corresponding period of last year.

During the Period, FMR LLC. (“Fidelity Funds”*) acquired a stake in the Company at approximately HK\$425,000,000, which is believed to be a reflection of the Company’s long-term investment value.

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 six months ended 30 June 2021, the Other Businesses did not record any loss (30 June 2020: HK\$8,000).

* For identification purposes only

FINANCIAL REVIEW

Review of Results

During the period under review, the Group recorded revenue and film investment income of HK\$151,726,000 (30 June 2020: HK\$492,065,000) and a net loss of HK\$97,206,000 (30 June 2020: profit of HK\$20,331,000). The decrease of revenue and the net loss were mainly due to the fact that blockbusters invested by the Group were delayed to make debut on cinema screens due to the impact of the Coronavirus Disease 2019 pandemic, and the box office revenue was also affected by the implementation of prevention and control measures, leading to a decrease in the Group's revenue for the Period. In addition, the Group continued to optimise and update the contents of the online video platform of "huanxi.com" (歡喜首映), and increased the production and purchase of film rights, which resulted in an increase in amortised expenses of film rights. The Group expects the situation of Coronavirus Disease 2019 pandemic will be improved, the Group will arrange to debut the blockbusters invested by the Group gradually such as the film *Li Na* (獨自 • 上場), directed by Mr. Chan Ho Sun Peter, and the film *Papa* (學爸), written and directed by Su Liang, and starring Huang Bo; *The Mountain* (上山), produced by Wang Xiaoshuai; and *Leaping Over The Dragon Gate* (龍門相), produced by Gao Qunshu on cinema screens which will contribute revenue to the Group, and the results of the Group will be improved.

For the six months ended 30 June 2021, loss per share of the Group amounted to HK\$0.03 (30 June 2020: earning per share of HK\$0.01) and net asset value per share attributable to the owners of the Company was HK\$0.48 (31 December 2020: HK\$0.42).

Liquidity and Financial Resources

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, equity fund raising and borrowings. As at 30 June 2021, the Group had net current assets of HK\$1,042,107,000 (31 December 2020: HK\$730,619,000), with cash and cash equivalents of HK\$252,372,000 (31 December 2020: HK\$142,140,000). As at 30 June 2021, the total equity of the Company amounted to HK\$1,780,056,000 (31 December 2020: HK\$1,446,433,000) with total borrowings of HK\$116,489,000 (31 December 2020: HK\$50,036,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.06 (31 December 2020: 0.03) as at 30 June 2021. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2021, the Company had 3,676,812,362 ordinary shares (31 December 2020: 3,472,732,362) of HK\$0.01 each in issue (the "Share" or "Shares").

On 30 August 2020, the Company completed an issuance of 346,626,954 ordinary shares, of nominal value of approximately HK\$3,466,000 in the capital of the Company at a price of HK\$1.480 per subscription share to Bilibili Inc.. The gross proceeds and net proceeds raised from the subscription were approximately HK\$513,008,000 and HK\$511,700,000 respectively.

As 1 January 2021, HK\$142,140,000 had not been used. As at 30 June 2021, the said unused amount was used for general working capital and the proceeds for the subscription had been fully utilised as intended for (i) investment in film and TV programme rights business and (ii) general working capital.

On 27 April 2021, the Company entered into the placing agreement (“Placing Agreement”) with a placing agent. Upon completion of the Placing Agreement on 5 May 2021, an aggregate of 218,130,000 Shares of HK\$0.01 each in the capital of the Company were placed to not fewer than six placees, at the placing price of HK\$2.15 per placing share. The net price received by the Company was approximately HK\$2.14 per placing share. The closing price of the Shares on the date of entering into the Placing Agreement was HK\$2.15 per Share as quoted on The Stock Exchange.

The Board believes that the placing represents an opportunity to raise capital for the Group while broadening the Company’s shareholder base and strengthening the financial position of the Group. The gross proceeds and net proceeds raised from the placing were approximately HK\$468,980,000 and HK\$467,279,000 respectively. Approximately HK\$245,009,000 have been used by the Company for the six months ended 30 June 2021 and approximately HK\$222,270,000 remains unutilised which is expected to be fully utilised by March 2022. The following table sets out the breakdown of the use of net proceeds as at 30 June 2021:

Use of proceeds for	Amount proposed to be used HK\$’000	Amount used HK\$’000	Unutilised amount HK\$’000
Production of film and internet drama series and online video platform business	367,279	(225,372)	141,907
General working capital	<u>100,000</u>	<u>(19,637)</u>	<u>80,363</u>
Total	<u><u>467,279</u></u>	<u><u>(245,009)</u></u>	<u><u>222,270</u></u>

Charges on Assets

As at 30 June 2021, the Group pledged a contract asset and other receivables of approximately HK\$29,720,000 (31 December 2020: Nil) and HK\$48,520,000 (31 December 2020: Nil) for obtaining borrowings of approximately HK\$18,014,000 (31 December 2020: Nil) and HK\$48,036,000 (31 December 2020: Nil) respectively.

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 many investment opportunities and cooperation plans with mainland China and overseas film companies. The Group will continue to monitor its capital needs closely and take appropriate measures to minimise any adverse impact of exchange rate fluctuation on its overall financial status and lower the Group's financial risks.

Risk Management

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

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Same).

Employees and Remuneration Policies

As at 30 June 2021, the Group had 96 employees (31 December 2020: 101). 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 operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the Chinese government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. 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.

Prospects

Looking ahead, as the anti-epidemic controls and restrictions in China begin to be relaxed, coupled with widespread vaccination, the economy is likely to continue its steady recovery. The Group, therefore, believes that the film industry has vast room for development.

According to data released by the National Film Industry Development Special Fund Management Committee Office, in the first half of 2021, the total box office receipts of films in China reached RMB27.5 billion. Although it has not yet returned to pre-pandemic levels, the box office share of domestic films has far surpassed that of imported films, which reflected the change in the audience's taste, shifting from a preference for Hollywood blockbuster productions featuring global stars to a new appreciation for cleverly told stories with more in-depth characters. With audience demand for these types of movies increasing, film companies that create quality original content are more likely to see positive results. The Group has always emphasised the importance of content and is committed to cultivating high-quality and diversified film content through collaborations with outstanding directors and creative teams. It believes that the productions invested in and produced by the Group will continue to be favored by audiences in the highly competitive market.

The Group is currently working on the post-production of films and TV programs that have finished filming. The key films, including *Li Na* (獨自 • 上場), directed by Chan Ho Sun Peter; *Papa* (學爸), written and directed by Su Liang and starring Huang Bo; *Leaping Over The Dragon Gate* (龍門相), produced by Gao Qunshu; and *The Mountain* (上山), produced by Wang Xiaoshuai, are scheduled to debut on cinema screens in the second half of this year or the first half of next year. It is expected to generate strong revenue for the Group and further drive business growth.

Furthermore, the Group has several films currently in production, including *Evacuate from the 21st Century* (從21世紀安全撤離), a sci-fi film directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi; and *Unspoken* (無所畏懼), a feature film directed by Chen Daming, both of which are expected to be released next year. Regarding investment in internet drama series, *Paradise Guesthouse* (天堂旅館), produced and co-directed by Wong Kar Wai, and *40 Years in China* (激蕩40年), directed by Chan Ho Sun Peter, are undergoing preliminary preparation work.

In order to further secure original content and ensure a stable supply of remarkable film and TV productions, the Group will continue to produce high-quality original film and TV works through a leading team of directors. The Group will also seek to capitalise on the increasingly popular online viewing trend by actively developing “huanxi.com” online video platform. In addition to the films and internet drama series produced by the Group, “huanxi.com” will continue to source film and television masterpieces from around the world and strengthen the lineup of programs on the platform. It will also cooperate with leading internet and entertainment giants in China to expand the distribution channels for the content on “huanxi.com”, so as to reach more users and further drive the growth of the platform's number of fee-paying subscribers.

In summary, the Group will continue to assign top priority to investing in and producing premium original films and TV programs. In addition, it will further improve its strategic deployment, provide popular and premium film and TV content and strengthen the marketing and promotion of “huanxi.com” with internet and entertainment companies. In this way, the Group can thus maintain its competitive edge in terms of content and channels, leading ultimately to further consolidation of its position as a leading film and TV enterprise in the industry.

CORPORATE GOVERNANCE

Corporate Governance Code and Corporate Governance Report

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2021.

Code for Securities Transactions

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

Board Composition

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

Change in Information of Directors

There is no change in Directors’ information since the date of the annual report 2020, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

Interim Dividend

The Board does not declare an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

On 29 January 2021, 1,240,000 ordinary shares repurchased by a wholly-owned subsidiary of the Company on the Stock Exchange in December 2020 have been cancelled.

During the six months ended 30 June 2021, a wholly-owned subsidiary of the Company repurchased a total of 25,970,000 ordinary shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$47,855,900 (before expenses). Out of 25,970,000 ordinary shares repurchased during the six months ended 30 June 2021, 12,810,000 shares were cancelled during the reporting period while the remaining 13,160,000 shares have been cancelled on 5 August 2021.

Details of the shares repurchased during the reporting period 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>	
June 2021	25,970,000	1.94	1.73	47,855,900

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 the six months ended 30 June 2021.

Review of Interim Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021. The committee is satisfied with the review and the Board is also satisfied with the committee's report.

By Order of the Board
Huanxi Media Group Limited
Xiang Shaokun, Steven

Executive Director and Chief Executive Officer

Hong Kong, 30 August 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.