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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 2021**

The board (the “Board”) of directors (the “Directors”) 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 2021, together with comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue and film investment income, net	4	158,353	633,176
Cost of revenue	10	(219,444)	<u>(651,501)</u>
Gross loss		(61,091)	(18,325)
Other income	6	2,314	23,092
Other gains, net	7	2,517	21,405
Selling and distribution costs	10	(24,588)	(113,468)
Administrative expenses	10	(140,562)	(138,521)
Net impairment losses on financial assets and contract assets		(998)	<u>(9,252)</u>
Operating loss		(222,408)	(235,069)

* For identification purposes only

	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income	8	8,451	3,687
Finance costs	8	<u>(6,063)</u>	<u>(8,775)</u>
Finance income/(costs), net	8	2,388	(5,088)
Loss before tax		(220,020)	(240,157)
Income tax expense	9	<u>(15,537)</u>	<u>–</u>
Loss from continuing operations		(235,557)	(240,157)
Discontinued operations			
Profit from discontinued operations		<u>–</u>	<u>3,766</u>
Loss for the year		<u>(235,557)</u>	<u>(236,391)</u>
Loss for the year attributable to owners of the Company		<u>(235,557)</u>	<u>(236,391)</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation of functional currency to presentation currency		7,150	13,807
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>27,311</u>	<u>58,397</u>
		<u>34,461</u>	<u>72,204</u>
Total comprehensive loss for the year		<u>(201,096)</u>	<u>(164,187)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(201,096)</u>	<u>(164,187)</u>
Loss per share for loss from continuing operations attributable to the owners of the Company			
– Basic and diluted (in HK\$)	12	<u>(0.07)</u>	<u>(0.07)</u>
Loss per share for loss for the year attributable to the owners of the Company			
– Basic and diluted (in HK\$)	12	<u>(0.07)</u>	<u>(0.07)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,341	2,928
Right-of-use assets		22,069	19,816
Intangible assets		2,416	7,084
Deposits and prepayments	<i>15</i>	101,414	36,801
Prepayments for film and TV programmes rights	<i>13</i>	488,756	417,423
Film and TV programmes rights	<i>14</i>	307,296	235,980
		923,292	720,032
Current assets			
Prepayment for film and TV programmes rights	<i>13</i>	394,414	210,865
Film and TV programmes rights	<i>14</i>	333,593	329,288
Trade and other receivables, deposits and prepayments	<i>15</i>	480,234	304,937
Contract assets	<i>16</i>	11,385	38,349
Financial assets at fair value through profit and loss		3,409	–
Cash and cash equivalents		115,369	142,140
		1,338,404	1,025,579
Total assets		2,261,696	1,745,611

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Equity			
Share capital		36,565	34,727
Less: Treasury shares		–	(1,613)
Reserves		<u>1,618,704</u>	<u>1,413,319</u>
Total equity		<u>1,655,269</u>	<u>1,446,433</u>
Non-current liabilities			
Lease liabilities		13,454	4,218
Deferred tax liabilities		<u>14,677</u>	<u>–</u>
		<u>28,131</u>	<u>4,218</u>
Current liabilities			
Trade and other payables	<i>17</i>	188,809	85,977
Film investment funds from investors	<i>18</i>	197,332	107,565
Film and TV programmes rights	<i>14</i>	1,483	–
Contract liabilities	<i>16</i>	31,469	419
Borrowings	<i>19</i>	100,281	50,036
Lease liabilities		9,055	17,059
Amount due to a related party		15,137	–
Current tax liabilities		<u>34,730</u>	<u>33,904</u>
		<u>578,296</u>	<u>294,960</u>
Total liabilities		<u>606,427</u>	<u>299,178</u>
Total equity and liabilities		<u>2,261,696</u>	<u>1,745,611</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 ended 31 December 2020.

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

2. BASIS OF PREPARATION 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 the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

(b) Historical cost convention

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

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021

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

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 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
Annual Improvement Project (Amendments)	Annual Improvements to HKFRSs 2018–2020	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
HKFRS 3 (Amendments)	Business Combinations – Update Reference to 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)	Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. 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.

4. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations:		
Revenue		
– Share of box office income	2,158	50,859
– Sub-licensing of film and TV programmes rights	32,548	521,265
– Other media related revenue	<u>48,061</u>	<u>27,749</u>
	82,767	599,873
Film investment income, net	<u>75,586</u>	<u>33,303</u>
	<u><u>158,353</u></u>	<u><u>633,176</u></u>

5. SEGMENT INFORMATION

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

The CODM assesses the performance based on a measure of profit/(loss) before tax excluding certain unallocated corporate expenses and finance income/(costs), net 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 had disposed the property agency business and ceased the securities trading and investments business within other segment and it was 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		Consolidated	
	Investment in film and TV programmes rights		Others			
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue						
– Share of box office income	2,158	50,859	–	–	2,158	50,859
– Sub-licensing of film and TV programmes rights	32,548	521,265	–	–	32,548	521,265
– Other media related revenue	48,061	27,749	–	–	48,061	27,749
	<u>82,767</u>	<u>599,873</u>	<u>–</u>	<u>–</u>	<u>82,767</u>	<u>599,873</u>
Film investment income, net	<u>75,586</u>	<u>33,303</u>	<u>–</u>	<u>–</u>	<u>75,586</u>	<u>33,303</u>
	<u>158,353</u>	<u>633,176</u>	<u>–</u>	<u>–</u>	<u>158,353</u>	<u>633,176</u>
Timing of revenue recognition						
– At a point in time	34,706	572,124	–	–	34,706	572,124
– Over time	48,061	27,749	–	–	48,061	27,749
	<u>82,767</u>	<u>599,873</u>	<u>–</u>	<u>–</u>	<u>82,767</u>	<u>599,873</u>
Segment (loss)/profit	<u>(133,168)</u>	<u>(144,636)</u>	<u>–</u>	<u>3,766</u>	<u>(133,168)</u>	<u>(140,870)</u>
Unallocated corporate expenses					(89,240)	(90,433)
Finance income/(costs), net					<u>2,388</u>	<u>(5,088)</u>
Loss before tax					(220,020)	(236,391)
Income tax expense					<u>(15,537)</u>	<u>–</u>
Loss for the year					<u>(235,557)</u>	<u>(236,391)</u>
Other information (included in measure of segment (loss)/profit)						
Other income	2,314	21,796	–	–		
Other (loss)/gains, net	(90)	21,168	–	–		
Depreciation of property, plant and equipment	(403)	(424)	–	–		
Depreciation of right-of-use assets	(7,252)	(6,755)	–	–		
Amortisation of intangible assets	(4,790)	(4,696)	–	–		
Amortisation of film and TV programmes rights	(212,678)	(637,943)	–	–		
Net impairment losses on film and TV programmes rights	<u>(1,998)</u>	<u>(9,117)</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.

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations:		
Government grants (<i>Note</i>)	286	21,734
Rent concessions	–	908
Sundry income	<u>2,028</u>	<u>450</u>
	<u><u>2,314</u></u>	<u><u>23,092</u></u>

Note: Government grants mainly represented the subsidies of approximately RMB237,000 (2020: RMB18,190,000) (equivalent to approximately HK\$286,000 (2020: HK\$20,438,000)) received from the People's Republic of China (the "PRC") government and Nil (2020: HK\$1,296,000) amount received from Employment Support Scheme of the Hong Kong government. There are no unfulfilled conditions or other contingencies attaching to these grants.

7. OTHER GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations:		
Gain on film investment funds from investors (<i>Note 18</i>)	273	21,168
Net fair value gain on financial assets at fair value through profit or loss	3,008	–
Net foreign exchange (losses)/gains	(1,056)	237
Loss on disposal of property, plant and equipment	(4)	–
Others	<u>296</u>	<u>–</u>
	<u><u>2,517</u></u>	<u><u>21,405</u></u>

8. FINANCE INCOME/(COSTS), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations:		
Finance income		
Bank interest income	124	1,624
Other interest income	<u>8,327</u>	<u>2,063</u>
	<u>8,451</u>	<u>3,687</u>
Finance costs		
Financial charges for lease liabilities	(631)	(1,244)
Interest expenses for film investment funds from investors	<u>(5,432)</u>	<u>(7,531)</u>
	<u>(6,063)</u>	<u>(8,775)</u>
Finance income/(costs), net	<u><u>2,388</u></u>	<u><u>(5,088)</u></u>

9. 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 (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 (2020: Same).

Income tax expense charged to the profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Current tax	1,060	–
Deferred income tax	<u>14,477</u>	<u>–</u>
	<u><u>15,537</u></u>	<u><u>–</u></u>

10. EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations:		
Employee benefit expenses (excluding Directors' remuneration and share-based compensation)	54,929	49,335
Directors' remunerations	30,149	27,952
Share-based compensation to employees	2,612	7,205
Depreciation		
– Property, plant and equipment	1,747	1,928
– Right-of-use assets	15,066	15,941
Short-term lease expense	593	459
Legal and professional fees	6,561	10,913
Travelling and entertainment expenses	7,373	4,900
Advertising and marketing expenses	24,588	113,468
Amortisation of intangible assets	4,790	4,696
Amortisation of film and TV programmes rights	212,678	637,943
Net impairment losses of film and TV programmes rights	1,998	9,117
Auditor's remuneration		
– Audit services	3,285	2,920
– Non-audit services	15	30
General office expenses	4,403	3,388
Insurances	1,524	1,429
Others	12,283	11,866
	<hr/>	<hr/>
Total cost of revenue, selling and distribution costs and administrative expenses	384,594	903,490

11. DIVIDENDS

Neither dividends were paid, declared or proposed for the year, nor has any dividend been proposed since the end of reporting period (2020: Same).

12. LOSS PER SHARE

(a) Basic

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

	2021	2020
(Loss)/profit attributable to owners of the Company		
– Continuing operations (in HK\$'000)	(235,557)	(240,157)
– Discontinued operations (in HK\$'000)	<u>–</u>	<u>3,766</u>
	(235,557)	(236,391)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands)	3,598,117	3,249,566
From continuing operations (in HK\$)	(0.07)	(0.07)
From discontinued operations (in HK\$)	<u>–</u>	<u>–</u>
Basic loss per share (in HK\$)	<u>(0.07)</u>	<u>(0.07)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive shares in issue during the year (2020: Same).

13. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-Current		
Prepayments for film and TV programmes rights (<i>Note (i)</i>)	445,893	374,893
Prepayment for film director's fee	<u>42,863</u>	<u>42,530</u>
	488,756	417,423
Current		
Prepayments for film and TV programmes rights (<i>Note (ii)</i>)	<u>394,414</u>	<u>210,865</u>
Total	<u><u>883,170</u></u>	<u><u>628,288</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 which is yet to be concluded. The prepayments will form part of the contribution by the Group for the investments in the proposed film and TV programmes rights. The related terms will be further agreed between the respective parties upon the signing of the agreements.
- (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.

14. FILM AND TV PROGRAMMES RIGHTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Film and TV programmes rights completed	43,145	92,510
Film and TV programmes rights under production (<i>Note a</i>)	259,415	167,479
Film rights investments (<i>Notes b and c</i>)	246,287	164,331
Licensed film and TV programmes rights (<i>Note d</i>)	<u>90,559</u>	<u>140,948</u>
	<u>639,406</u>	<u>565,268</u>
Represented by:		
Non-current assets	307,296	235,980
Current assets	333,593	329,288
Current liabilities	<u>(1,483)</u>	<u>–</u>
	<u>639,406</u>	<u>565,268</u>

Notes:

- (a) During the year, the Group has recognised a net provision for impairment of film and TV programmes rights under production of approximately HK\$1,998,000 (2020: HK\$9,117,000).
- (b) 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.
- (c) During the year, the Group has recognised film investment income, net, amounted to approximately HK\$75,586,000 (2020: HK\$33,303,000) based on the Group's investment portion as specified in respective film rights investments agreements.
- (d) 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.
- (e) The Group has entered into certain joint operation arrangements to produce and distribute four films (2020: four). The Group has participating interests ranging from 50% to 57% (2020: Same) in these joint operations. As at 31 December 2021, the carrying amounts of intangible assets recognised in the consolidated statement of financial position relating to the Group's interests in these joint operation arrangements are approximately HK\$88,053,000 (2020: HK\$44,735,000).

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
– Share of box office income	1,183	1,152
– Sub-licensing of film and TV programmes rights	18,453	35,029
– Film rights investments	122,472	49,747
– Others	970	1,204
	<u>143,078</u>	87,132
Loss allowances	<u>(6,990)</u>	<u>(8,606)</u>
	<u>136,088</u>	78,526
Deposits	6,426	6,395
Prepayments (<i>Note (i)</i>)	139,547	93,620
Other receivables (<i>Notes (ii) and (iii)</i>)	303,541	164,306
Loss allowances	<u>(3,954)</u>	<u>(1,109)</u>
	<u>445,560</u>	<u>263,212</u>
	<u>581,648</u>	<u>341,738</u>
Less: Current portion		
Trade receivables	(136,088)	(78,526)
Deposits	(2,770)	(689)
Prepayments	(41,664)	(62,418)
Other receivables	<u>(299,712)</u>	<u>(163,304)</u>
	<u>(480,234)</u>	<u>(304,937)</u>
Non-current portion	<u><u>101,414</u></u>	<u><u>36,801</u></u>

Notes:

- (i) The prepayments mainly represented the prepayments made by the Group in relation to a) pre-production development of identifiable film and TV programme projects; b) acquisition of licensed film rights from independent third parties for broadcasting on the Group's online video platform; and c) co-membership arrangement with other online platforms operated by different business partners.
- (ii) As at 31 December 2021, other receivables included short-term loan receivables net of loss allowances of approximately HK\$202,465,000 (2020: HK\$124,911,000). The loan receivables from independent third parties of approximately HK\$67,580,000 (2020: HK\$71,948,000) carried interest at 10% per annum, HK\$29,891,000 (2020: Nil) carried interest at 6% per annum and interest-free loan receivables of approximately HK\$104,994,000 (2020: HK\$52,963,000).
- (iii) Other receivables include pledged deposit of HK\$48,520,000 (2020: Nil) which was used to secure a borrowing of HK\$48,918,000 (2020: Nil)(Note 19).

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	105,317	30,108
31 – 90 days	834	–
181 – 365 days	2,080	3,610
Over 365 days	27,857	44,808
	<u>136,088</u>	<u>78,526</u>

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

16. CONTRACT ASSETS AND LIABILITIES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets	11,440	38,411
Loss allowances	<u>(55)</u>	<u>(62)</u>
Total contract assets	<u>11,385</u>	<u>38,349</u>
Contract liabilities	<u>31,469</u>	<u>419</u>

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

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

17. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	165,318	58,490
Other payables	12,819	16,923
Accruals	<u>10,672</u>	<u>10,564</u>
	<u>188,809</u>	<u>85,977</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	243	20,255
31 – 90 days	1,132	2,384
181 – 365 days	102,482	4,289
Over 365 days	<u>61,461</u>	<u>31,562</u>
	<u>165,318</u>	<u>58,490</u>

18. FILM INVESTMENT FUNDS FROM INVESTORS

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

During the year, the Group recognised a gain on film investments from investors amounted to approximately HK\$273,000 (2020: HK\$21,168,000) upon the theatrical release of the respective film because the net proceeds entitled by the investors in accordance with the respective investment agreement was less than the film investment funds contributed by the investors.

19. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unsecured borrowing	51,363	50,036
Secured borrowing (<i>Note</i>)	<u>48,918</u>	<u>–</u>
	<u>100,281</u>	<u>50,036</u>

Note: The borrowing was secured by pledged deposit of HK\$48,520,000 (2020: Nil) (Note 15).

As at 31 December 2021, the borrowings were interest-free and repayable within one year (2020: Same).

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

20. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Investment in Film and TV Programmes Rights Business

In 2021, economic activities in some provinces and cities in China were affected by the fluctuating Coronavirus Disease 2019 pandemic (the “Pandemic”) situation. Cinemas were closed and cinema admissions have not yet returned to normal due to anti-pandemic restrictions. With rich industry experience and high-quality film and TV content, the Group has adhered to the creation of original works in the challenging film market and the enrichment of content reserves. At the same time, the Group vigorously develop its online video platform business. These efforts allowed the Group to successfully attract throngs of film fans who were temporarily unable to visit cinemas by shifting their preference to online viewing. It is encouraging that the Group fully demonstrated the effectiveness of its two-pronged strategy to develop film and TV content as well as the online video platform businesses.

For the year ended 31 December 2021, the Group recorded revenue and film investment income, net from investment in the film and TV programmes rights business amount to HK\$158,353,000 (2020: HK\$633,176,000) and a segment loss of HK\$133,168,000 (2020: HK\$144,636,000). The segment loss and decrease of revenue were mainly attributable to the fact that blockbusters invested by the Group were delayed to make debut on cinema screens due to the impact of the Pandemic, and the box office revenue was also affected by the implementation of prevention and control measures, combined with the decrease of government grant and the increase of amortised expenses of licensed film and TV programmes rights for optimisation the contents of “huanxi.com” online video platform. Despite these, selling and distribution costs decreased during the reporting period due to the delay in debut of the Group’s blockbusters on cinema screens.

To further strengthen its film and TV content, the film *Papa* (學爸) which is invested in and produced by the Group, written and directed by Su Liang and starring Huang Bo, is scheduled to be debuted on cinema screens early in the second half of this year. Other films are under planning stage, production stage or completion stage, such as *Something About Us* (紅毯先生) (formerly known as *Red Carpet* (全民明星)) directed by Ning Hao and starring Andy Lau; *Li Na* (獨自•上場) directed by Chan Ho Sun Peter; (滿江紅) directed by Zhang Yimou; *Call Me Crazy* (刺狹) directed by Gu Changwei and starring Ge You and Wang Junkai; *Unspoken* (無所畏懼) directed by Chen Daming and starring Zhang Hanyu; *The Mountain* (上山) produced by Wang Xiaoshuai; *The Stage* (戲台) directed by Chen Peisi and starring Chen Peisi and Chen Dayu; *Evacuate from the 21st Century* (從21世紀安全撤離) directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi; *Yanagawa* (漫長的告白) directed by Zhang Lu and starring Ni Ni and Zhang Luyi; and *Strangers When We Meet* (朝雲暮雨) directed and written by Zhang Guoli and starring Zhou Dongyu. As for investment in internet drama series, the 12-episode series *Paradise Guesthouse* (天堂旅館) produced and co-directed by Wong Kar Wai, currently being undergone preliminary preparation works, is progressing smoothly.

For its online video platform, the Group stepped up its cooperation with a number of channels during the year to further extend the coverage of “huanxi.com”. In February 2021, the strategic cooperation between the Group and Huawei Video has been upgraded to launch film and TV content at the “huanxi.com” designated zone on AiMax Cinema of Huawei Video. In September 2021, the Group signed a cooperation agreement with MIGU for their close collaboration on setting up the world’s largest digital cinema and launching a “Huanxi Theater” designated zone on China Mobile 5G FUN Theater. In addition, the “huanxi.com” applet has been successfully connected to Kuaishou (快手), Douyin (抖音), WeChat (微信) and Baidu (百度), which are the major platforms offering social apps, video social apps and search engines with the heaviest internet traffic rates in China and thus, enabling users to have faster, more convenient and seamless viewing experience. In combination with the earlier cooperation with leading internet platforms, such as Bilibili, Mango TV, Maoyan Entertainment and China Mobile, and alliance arrangements with big screen terminal channels, including Mi Video, Hisense TV, Skyworth TV, TCL TV, LeTV Super TV and Xgimi Projector, “huanxi.com” is able to widely cover online audience users in China. Currently, “huanxi.com” has accumulated over 11 million (11,000,000) fee paying subscribers, while the APP of “huanxi.com” has been downloaded over 38 million (38,000,000) times.

During the year, FMR LLC. (“Fidelity Funds”*) acquired a stake in the Company at approximately HK\$425,000,000 and subsequently increased its shareholding in the Company, reflecting its recognition of the Group’s long-term investment value.

Overall, the business layout of Huanxi Media’s film and TV content combines with its online video platform has laid a solid foundation for the long-term development of the Group. Although the market remained challenging during the year, the Company has been actively enriching its content reserves as preparation for another peak in the film industry going forward.

Other Businesses (Discontinued Operations)

Reference was made to the announcement of the Company dated 9 October 2020 that the Group intended to focus its resources on business investment in film and TV programmes rights and operation of the online video platform “huanxi.com”, and hence, it ceased its operations of property agency business as well as securities trading and investments business (“Other Businesses”) during the year ended 31 December 2020. During the year under review, the Group did not record any revenue (2020: Nil) nor profit or loss (2020: profit of HK\$3,766,000) arising from Other Businesses.

* For identification purposes only

Impact of the Pandemic

Following the outbreak of the Pandemic at the beginning of 2020 posing a significant impact on the global film industry, proactive action was taken to temporarily suspend cinemas operations across Mainland China in response to the Pandemic and cinemas gradually resumed operations in July 2020. During 2021, there was persistent impact on economic activities in some provinces and cities in China due to the fluctuating Pandemic situation. Box office receipts were adversely affected by another round of suspension of cinema operations and ongoing stringent prevention and control measures, resulting in a low level of cinema attendance. In terms of film production, additional production time and costs were incurred due to the quarantine measures amid the Pandemic.

The Group will closely monitor the development of the Pandemic and continue to evaluate its impact on the media market. It will also initiate timely and active measures to minimise the impact of the Pandemic on its business operations and financial results.

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2021, the Group recorded revenue and film investment income, net of HK\$158,353,000 (2020: HK\$633,176,000) and a loss of HK\$235,557,000 (2020: HK\$236,391,000). The loss and decrease of revenue were mainly attributable to the fact that blockbusters invested by the Group were delayed to make debut on cinema screens due to the impact of the Pandemic, and the box office revenue was also affected by the implementation of prevention and control measures, combined with the decrease of government grant and the increase of amortised expenses of licensed film and TV programmes rights for optimisation the contents of “huanxi.com” online video platform. Despite these, selling and distribution costs decreased during the reporting period due to the delay in debut of the Group’s blockbusters on cinema screens.

The Group is enriching the content reserves and will arrange to debut the blockbusters invested by the Group gradually such as the film *Papa* (學爸), *Something About Us* (紅毯先生) (formerly known as *Red Carpet* (全民明星)), *Li Na* (獨自•上場), *Unspoken* (無所畏懼), (滿江紅), *Call Me Crazy* (刺狹), *The Mountain* (上山) and *Strangers When We Meet* (朝雲暮雨) on cinema screens in 2022 or early 2023 which will contribute revenue to the Group, and the results of the Group will be improved.

For the year ended 31 December 2021, loss per share of the Group amounted to HK\$0.07 (2020: HK\$0.07) and net asset value per share attributable to owners of the Company was HK\$0.45 (2020: HK\$0.42).

Liquidity and Financial Resources

During the year ended 31 December 2021, the Group's capital expenditure, daily operations and investments are mainly funded by equity fund raising. As at 31 December 2021, the Group had net current assets of HK\$760,108,000 (2020: HK\$730,619,000), with cash and cash equivalents of HK\$115,369,000 (2020: HK\$142,140,000). As at 31 December 2021, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 2.31 (2020: approximately 3.48). As at 31 December 2021, the total equity of the Company amounted to HK\$1,655,269,000 (2020: HK\$1,446,433,000) with total borrowings of HK\$100,281,000 (2020: HK\$50,036,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.06 (2020: 0.03) as at 31 December 2021. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2021, the Company had 3,656,472,362 ordinary shares (2020: 3,472,732,362) of HK\$0.01 each in issue (the "Share" or "Shares").

During the year ended 31 December 2021, the movement in the issued Shares are as follows:

1. On 27 April 2021, the Company entered into the placing agreement (the "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 places, 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 of Hong Kong Limited (the "Stock Exchange").
2. On 29 January 2021, 1,240,000 Shares repurchased by a wholly-owned subsidiary of the Company on the Stock Exchange in December 2020 were cancelled.
3. During the year ended 31 December 2021, a wholly-owned subsidiary of the Company repurchased a total of 33,150,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$59,802,100 (before expenses). 33,150,000 Shares repurchased were cancelled during the year ended 31 December 2021.

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

Charges on Assets

As at 31 December 2021, the Group pledged other receivables of approximately HK\$48,520,000 (31 December 2020: Nil) for obtaining a secured borrowing of approximately HK\$48,918,000 (31 December 2020: Nil).

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 2021, the Group had no significant contingent liabilities (2020: Same).

Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021, the Group had 101 full-time employees (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 participates in various defined contribution retirement benefit plans which are available to all relevant employees. Forfeited contributions cannot be used by the Group to reduce the existing level of contribution to the defined contribution schemes.

Event After the Reporting Period

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

Business Strategies and Prospects

In November 2021, the China Film Administration announced “The 14th Five-Year Plan for the Development of Chinese Films”, which proposes to further promote the high-quality development of Chinese films, focusing on creativity in themes and plots, genres, styles, techniques and innovative technology, and encouraging structural upgrade of the film industry in areas of systems and procedures, talent and capital with a view to fulfilling the vision of building China into a major cinematic player by 2035 and enabling the voice and influence of Chinese cinema to be significantly enhanced in the global film market.

With the support of national policies for the Chinese film development, those leading film and TV companies that have continued to produce high-quality original content can fully demonstrate their commercial and social value. In its focus on core strategy of ‘Importance of Contents’, the Group will continue to work in collaboration with top directors in China in order to develop and produce more premium content. Meanwhile, it will also actively seek to partner with new potential directors to deliver original premium film and TV productions, leveraging the Group’s core competitive advantages in film and TV creation.

On the other side, by delivering superior works to audiences and strengthening its in-depth cooperation with top strategic partners in China, such as Bilibili, Mango TV, Maoyan Entertainment and China Mobile, the Group has been working on the development of its user base expansion and hence, strives to build “huanxi.com” as the leading online video platform.

The Group will put great effort to seize the opportunity presented by rapid development of the film and TV industry, accelerate the launch of quality content capitalising on the investment acumen of its management team and flexible management and operations model, and build a leading online video platform with diversified film and TV content. The Group will also continuously optimise its business structure in order to further consolidate and expand its competitive advantages and create long-term and high-value returns for its shareholders.

OTHER INFORMATION

Corporate Governance Practices

Throughout the year ended 31 December 2021, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

During the year ended 31 December 2021, a wholly-owned subsidiary of the Company repurchased a total of 33,150,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$59,802,100 (before expenses). 33,150,000 Shares repurchased were cancelled during the year ended 31 December 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 <i>HK\$</i>	Lowest <i>HK\$</i>	
June 2021	25,970,000	1.95	1.73	47,855,900
July 2021	<u>7,180,000</u>	1.85	1.50	<u>11,946,200</u>
Total	<u>33,150,000</u>			<u>59,802,100</u>

The above share repurchase was made with a view to enhancing the value of the Shares 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 2021.

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 2021.

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 2021 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, 31 March 2022

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.