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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 2023**

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 2023 together with the comparative amounts for the corresponding period in 2022. The unaudited condensed consolidated interim financial information of the Group has been reviewed by the Company’s audit committee (the “Committee”).

* For identification purposes only

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

For the six months ended 30 June 2023

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and film investment income, net	4	1,393,279	14,573
Cost of revenue	7	<u>(280,119)</u>	<u>(50,245)</u>
Gross profit/(loss)		1,113,160	(35,672)
Other income		1,678	491
Other (losses)/gains, net	6	(265,677)	433
Selling and distribution costs	7	(325,270)	(4,022)
Administrative expenses	7	<u>(63,323)</u>	<u>(56,612)</u>
Operating profit/(loss)		460,568	(95,382)
Finance income		1,254	2,696
Finance costs		<u>(4,380)</u>	<u>(893)</u>
Finance (costs)/income, net		<u>(3,126)</u>	<u>1,803</u>
Profit/(loss) before tax		457,442	(93,579)
Income tax expense	8	<u>(56,673)</u>	<u>–</u>
Profit/(loss) for the period		<u>400,769</u>	<u>(93,579)</u>
Profit/(loss) for the period attributable to owners of the Company		<u>400,769</u>	<u>(93,579)</u>

	Six months ended 30 June	
	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of functional currency to presentation currency	(12,552)	(14,913)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(57,188)</u>	<u>(42,161)</u>
	<u>(69,740)</u>	<u>(57,074)</u>
Total comprehensive income/(loss) for the period	<u>331,029</u>	<u>(150,653)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u>331,029</u>	<u>(150,653)</u>
Earnings/(loss) per share for profit/(loss) for the period attributable to the owners of the Company		
– Basic and diluted (HK dollar)	<i>10</i> <u>0.11</u>	<u>(0.03)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023	31 December 2022
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		565	786
Right-of-use assets		22,237	29,283
Intangible assets		–	–
Deposits and prepayments	13	46,993	78,450
Prepayments for film and TV programmes rights	11	431,010	449,968
Film and TV programmes rights	12	<u>168,867</u>	<u>144,887</u>
		<u>669,672</u>	<u>703,374</u>
Current assets			
Prepayment for film and TV programmes rights	11	347,684	363,722
Film and TV programmes rights	12	528,267	793,905
Trade and other receivables, deposits and prepayments	13	593,286	285,373
Contract assets		58,147	10,262
Financial assets at fair value through profit or loss		56	65
Cash and cash equivalents		<u>159,317</u>	<u>53,634</u>
		<u>1,686,757</u>	<u>1,506,961</u>
Total assets		<u><u>2,356,429</u></u>	<u><u>2,210,335</u></u>

		30 June	31 December
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity			
Share capital		36,565	36,565
Reserves		<u>1,622,900</u>	<u>1,291,871</u>
Total equity		<u>1,659,465</u>	<u>1,328,436</u>
Non-current liabilities			
Lease liabilities		10,274	17,193
Deferred tax liabilities		<u>11,578</u>	<u>12,112</u>
		<u>21,852</u>	<u>29,305</u>
Current liabilities			
Trade and other payables	14	163,924	145,031
Film investment funds from investors	15	323,681	524,471
Film and TV programmes rights	12	927	970
Contract liabilities		27,668	30,052
Borrowings	16	65,761	108,267
Lease liabilities		12,766	12,722
Amount due to a related party		36	182
Current tax liabilities		<u>80,349</u>	<u>30,899</u>
		<u>675,112</u>	<u>852,594</u>
Total liabilities		<u>696,964</u>	<u>881,899</u>
Total equity and liabilities		<u>2,356,429</u>	<u>2,210,335</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

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 2022 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 2023.

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.

The unaudited condensed consolidated interim financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

2. ACCOUNTING POLICIES

The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRS which are effective for accounting periods commencing on or after 1 January 2023. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the unaudited condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years. The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period. Management does not anticipate any significant impact on the Group’s consolidated financial position and consolidated results of operations upon adopting the other new or revised standards, amendments or interpretations.

3. JUDGEMENTS AND 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 2022.

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	
	2023 HK\$'000	2022 HK\$'000
Revenue		
– Share of box office income	1,317,186	–
– Sub-licensing of film and TV programmes rights	66,521	2,557
– Other media related revenue	9,295	8,372
	<u>1,393,002</u>	<u>10,929</u>
Film investment income, net	<u>277</u>	<u>3,644</u>
	<u>1,393,279</u>	<u>14,573</u>
Timing of revenue recognition		
– At a point in time	1,383,707	2,557
– Over time	9,295	8,372
	<u>1,393,002</u>	<u>10,929</u>

5. SEGMENT INFORMATION

The chief operating decision maker (“CODM”) has been identified as the executive Directors who review the Group's internal reporting in order to assess performance and allocate resources. The Group's operations are currently organised into one reportable segment which is investment in film and TV programmes rights. The CODM reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

The Group's current operations are located in the People's Republic of China (the “PRC”) and Hong Kong. The Group's revenue and film investment income, net is substantially generated from customers in the PRC and the Group's non-current assets are substantially located in the PRC.

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss on film investment funds from investors (<i>Note 15</i>)	(271,270)	–
Net fair value loss on financial assets at fair value through profit or loss (“FVTPL”)	(9)	(1,193)
Net foreign exchange gains	5,602	124
Gain on dissolution of subsidiaries	–	1,502
	<u>(265,677)</u>	<u>433</u>

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Employee benefit expenses (excluding Directors' remuneration)	23,690	27,811
Directors' remuneration	15,914	7,284
Depreciation		
– Property, plant and equipment	248	389
– Right-of-use assets	6,484	6,720
Short-term lease expenses	344	365
Legal and professional expenses	2,934	2,995
Travelling and entertainment expenses	3,326	2,318
Advertising and marketing expenses	325,270	4,022
Amortisation of intangible assets	–	2,375
Amortisation of film and TV programmes rights	280,119	47,870
Others	10,383	8,730
	<u>668,712</u>	<u>110,879</u>
Total cost of revenue, selling and distribution costs and administrative expenses		

8. 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 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 2022: Same).

No overseas profits tax has been calculated for the Group entities that are incorporated in the British Virgin Islands or Bermuda as they are exempted from tax (for the six months ended 30 June 2022: Same).

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax	<u>56,673</u>	<u>–</u>

9. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Same).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023	2022
Profit/(loss) attributable to owners of the Company (in HK\$'000)	400,769	(93,579)
Weighted average number of ordinary shares for basic and diluted earnings/ (loss)/per share (in thousands)	<u>3,656,472</u>	<u>3,656,472</u>
Basic earnings/(loss) per share (in HK\$)	<u>0.11</u>	<u>(0.03)</u>

(b) Diluted

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 (for the six months ended 30 June 2022: Same).

11. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Prepayments for film and TV programmes rights:		
Non-current (<i>Note i</i>)	431,010	449,968
Current (<i>Note ii</i>)	<u>347,684</u>	<u>363,722</u>
Total	<u>778,694</u>	<u>813,690</u>

Notes:

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

12. FILM AND TV PROGRAMMES RIGHTS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Completed film and TV programmes rights	218,198	37,725
Film and TV programmes rights under production	154,786	600,234
Film rights investments (<i>Note i</i>)		
– Financial assets at FVTPL	241,122	244,731
– Financial liabilities at FVTPL	(927)	(970)
Licensed film and TV programmes rights (<i>Note ii</i>)	83,028	56,102
	<u>696,207</u>	<u>937,822</u>
Represented by:		
Non-current assets	168,867	144,887
Current assets	528,267	793,905
Current liabilities	(927)	(970)
	<u>696,207</u>	<u>937,822</u>

Notes:

- (i) The balance represents the Group's investments in film productions which entitled the Group to predetermined percentage of income to be generated from the films based on the Group's investment portion as specified in respective film rights investments agreements.
- (ii) The balance represents the acquired license rights from independent third parties for broadcasting licensed films or TV programmes series on the Group's online video platform and sub-licensing the license rights to other independent third parties, if applicable.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Trade receivables		
– Share of box office income	362,491	1,091
– Sub-licensing of film and TV programmes rights	6,351	7,839
– Film rights investments	61,161	63,653
– Others	401	116
	<u>430,404</u>	<u>72,699</u>
Loss allowance	<u>(9,685)</u>	<u>(10,128)</u>
	<u>420,719</u>	<u>62,571</u>
Deposits	5,183	5,060
Prepayments (<i>Note i</i>)	82,685	113,636
Other receivables (<i>Notes ii and iii</i>)	139,789	190,905
Loss allowances	<u>(8,097)</u>	<u>(8,349)</u>
	<u>219,560</u>	<u>301,252</u>
	<u>640,279</u>	<u>363,823</u>
Represented by:		
Trade receivables	420,719	62,571
Deposits	878	668
Prepayments	39,865	39,443
Other receivables	139,789	190,905
Loss allowances	<u>(7,965)</u>	<u>(8,214)</u>
Current portion	<u>593,286</u>	<u>285,373</u>
Deposits	4,305	4,392
Prepayments	42,820	74,193
Loss allowances	<u>(132)</u>	<u>(135)</u>
Non-current portion	<u>46,993</u>	<u>78,450</u>

Notes:

- (i) The prepayments mainly represent the prepayments made by the Group in relation to a) pre-production development of identifiable film and TV programme projects; b) acquisition of licensed film rights from independent third parties for broadcasting on the Group's online video platform; and c) co-membership arrangement with other online platforms operated by different business partners.
- (ii) As at 30 June 2023, other receivables include short-term loan receivables net of loss allowances of approximately HK\$28,131,000 (31 December 2022: HK\$28,131,000), which represented by loan receivables from independent third parties of approximately HK\$9,326,000 (31 December 2022: HK\$9,326,000) carried interest at 10% per annum, approximately HK\$18,805,000 (31 December 2022: HK\$18,805,000) carried interest at 6% per annum.
- (iii) As at 30 June 2023, other receivables of HK\$59,400,000 (31 December 2022: HK\$71,000,000) are used to secure borrowings of HK\$65,761,000 (31 December 2022: HK\$74,434,000) (Note 16).

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0 – 30 days	362,056	625
91 – 180 days	–	778
Over 365 days	<u>58,663</u>	<u>61,168</u>
	<u>420,719</u>	<u>62,571</u>

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

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

14. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade payables	108,485	117,847
Other payables	53,524	24,350
Accruals	1,915	2,834
	<u>163,924</u>	<u>145,031</u>

The carrying amounts of trade and other payables are 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 2023 HK\$'000	31 December 2022 HK\$'000
0 – 30 days	9	3,073
181 – 365 days	–	170
Over 365 days	108,476	114,604
	<u>108,485</u>	<u>117,847</u>

15. 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 six months ended 30 June 2023, the Group recognised a loss on film investment funds from investors amounted to approximately HK\$271,270,000 (Note 6) upon the theatrical release of the respective film because the net proceeds entitled by the investors in accordance with the respective investment agreement was more than the film investment funds contributed by the investors. The loss on film investment funds from investors is presented as other (losses)/gain, net in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

No gain or loss on film investment funds from investors was recognised during the six months ended 30 June 2022.

16. BORROWINGS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Unsecured borrowing	–	33,833
Secured borrowings (<i>Note</i>)	<u>65,761</u>	<u>74,434</u>
	<u>65,761</u>	<u>108,267</u>

Note: As at 30 June 2023, the borrowings were secured by other receivables of HK\$59,400,000 (31 December 2022: HK\$71,000,000) (*Note* 13).

As at 30 June 2023, all borrowings are interest-free and repayable within one year (31 December 2022: except for a borrowing amounted to HK\$33,833,000 is interest-bearing at 4.35% per annum and repayable within one year, the borrowings are interest-free and repayable within one year).

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

17. EVENT AFTER THE REPORTING PERIOD

There was no material event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

The Group seized on opportunities arising from the relaxation of anti-pandemic policies in China during the six months ended 30 June 2023 (the “Period”). The film, *Full River Red* (滿江紅), invested and lead produced by the Group, was strategically released in cinema circuits during the Chinese New Year holiday. Directed by Zhang Yimou and starring Shen Teng, Jackson Yee, Zhang Yi and Lei Jiayin, the film generated impressive box office receipts and commendable feedback, and contributed significant revenue to the Group in the first half year. According to the data from Maoyan Professional Edition, the film’s total box office receipts amounted to RMB4,540 million, placing its sixth on the box office chart in China’s film history. It also topped the box office chart for the Chinese New Year holiday of 2023.

Taking a proactive approach to preparation and production, the Group has completed the post production stage of several films which are scheduled for debut on cinema screens in the second half of 2023 or in 2024, including, *Papa* (學爸), which has already been released this August, produced by Huang Bo, written and directed by Su Liang and starring Huang Bo, Shan Yu Hao, Yan Ni, Janine Chang and Zhang Zixian; *Li Na* (獨自•上場), directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei; *Something About Us* (紅毯先生), directed by Ning Hao and starring Andy Lau; *Call Me Crazy* (刺猬), directed by Gu Changwei and starring Ge You and Karry Wang; *Unspoken* (以父親之名) (formerly known as 無所畏懼), directed by Chen Daming and starring Zhang Hanyu; *Strangers When We Meet* (朝雲暮雨), directed and written by Zhang Guoli and starring Zhou Dongyu; *Evacuate from the 21st Century* (從21世紀安全撤離), directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi; and *The Mountain* (上山), produced by Wang Xiaoshuai and directed by Wu Di. The Group’s diversified films have been able to meet the customization demanded by different audiences, and also guarantee the generation of box office receipts.

With regard to the online video platform, the film *Full River Red* (滿江紅) has been shown on “huanxi.com”, the Group’s online video platform, after theater screenings. The Group has continued to uphold the principle of selecting high-quality film and television content at home and abroad. Excellent overseas movies were exclusively launched on “huanxi.com”, such as *Tigers* (心的方向), winner of the Flash Forward Award at the Busan Film Festival; *Night of the Kings* (國王之夜), nominated for the Tiantan Award at the Beijing International Film Festival; *Petite Maman* (小媽媽), nominated for the Golden Bear Award at the Berlin International Film Festival; *Feathers* (羽毛), the first Egyptian movie that won the Critics’ Week Grand Prize at the Cannes Film Festival; and *Azor* (阿索爾), which was shortlisted for the Encounters section of the 71st Berlin International Film Festival.

FINANCIAL REVIEW

Review of Results

During the reporting period, the Group recorded revenue and film investment income, net of HK\$1,393,279,000 (30 June 2022: HK\$14,573,000), sharply increase approximately of 95 times; and turnaround from loss to profit, a net profit of HK\$400,769,000 (30 June 2022: a net loss of HK\$93,579,000). For the corresponding period of previous year, as the operational rate of cinema in China was adversely affected by the pandemic, the Group postponed screenings of some blockbusters invested by the Group, resulting in a decrease in the Group's revenue and recording a loss for the corresponding period of previous year. For the reporting period, optimising related anti-pandemic works, the film industry has been steadily recovering, the Group can debut its film in cinema circuits as usual, resulting in an increase in the Group's revenue and recording a profit.

The increase of selling and distribution costs during the reporting period was mainly due to the increase of movie distribution activities; income tax expense increased as recorded a turnaround profit during the reporting period; and other losses, net increased as certain film investors invested film rights held by the Group which income generated from the theatrical release of the films was much more than the amount invested, the Group needed to share the profit with the investors and recognised a loss on film investment funds from investors.

For the six months ended 30 June 2023, earnings per share of the Group amounted to HK\$0.11 (30 June 2022: loss per share of HK\$0.03) and net asset value per share attributable to the owners of the Company was HK\$0.45 (31 December 2022: HK\$0.36).

Liquidity and Financial Resources

During the six months ended 30 June 2023, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations. As at 30 June 2023, the Group had net current assets of HK\$1,011,645,000 (31 December 2022: HK\$654,367,000), with cash and cash equivalents of HK\$159,317,000 (31 December 2022: HK\$53,634,000). As at 30 June 2023, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 2.50 (31 December 2022: approximately 1.77). As at 30 June 2023, the total equity of the Company amounted to HK\$1,659,465,000 (31 December 2022: HK\$1,328,436,000) with total borrowings of HK\$65,761,000 (31 December 2022: HK\$108,267,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.04 (31 December 2022: 0.08) as at 30 June 2023. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2023, the Company had shareholders' capital of approximately HK\$36,565,000 (31 December 2022: Same) which is constituted of 3,656,472,362 ordinary shares (31 December 2022: Same) of HK\$0.01 each in issue. The Company did not carry out any fund raising activities by issuing new shares of the Company during the period under review.

Charges on Assets

As at 30 June 2023, other receivables of HK\$59,400,000 (31 December 2022: HK\$71,000,000) are used to secure borrowings of HK\$65,761,000 (31 December 2022: HK\$74,434,000).

Foreign Exchange Exposure

The Group's cash flow from operations, cash on hand and assets are denominated mainly in Hong Kong dollars and Renminbi. Although most of the production costs and management fees are denominated in Renminbi, foreign currencies are needed for 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 reporting period, 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 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Same).

Employees and Remuneration Policies

As at 30 June 2023, the Group had 87 full-time employees (31 December 2022: 87) and 4 part-time employees (31 December 2022: 4). The Group has in place well-designed remuneration management and incentive mechanisms, with employees remunerated based on their positions and work performance, along with industry trends.

The Group 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 the reporting period.

Prospects

The Chinese film industry is recovering at a steady pace, benefiting from the complete resumption of cinema operation, enthusiastic consumption sentiment among audiences and a series of favorable policies introduced in China. The Group plans to release several films on theater screens in the second half year, and the recently launched film, *Papa* (學爸), is one of them. It is a comedy invested and produced by the Group. Written and directed by Su Liang, the film features father and son relationship played by Huang Bo and Shan Yu Hao, telling a funny school adventure through the fight for a primary school place admission. The hilarious experience, packed with lots of laughter and warmth, could become a mutual growth process for both parents and children.

In line with its “Content is King” strategy, the Group is committed to creating and developing more diverse and quality film and television productions by collaborating with outstanding directors and professional production teams. The Group will continue to cooperate with top Chinese directors such as Ning Hao, Xu Zheng, Chan Ho Sun Peter, Wong Kar Wai, Zhang Yibai, Gu Changwei, Zhang Yimou, Huang Bo, Chen Daming and Wang Xiaoshuai to create more films and TV productions which are excellent in both artistic and commercial value, so as to consolidate its leadership in the Chinese film and TV industry.

With regard to the online video platform, the Group will continue to develop its online video platform “huanxi.com” by introducing more outstanding content, including movies and TV productions which will be aired in the second half year, namely *Serre Moi Fort* (抱緊我), nominated for the ‘Best Adaptation’ at the 47th César Awards in France, and *Three Floors* (三層樓上), nominated for the Golden Palm Best Picture Award at the Cannes Film Festival. The Group will also continue to cooperate with major internet and entertainment companies to attract a wider user base and promote the development of “huanxi.com”.

Looking ahead, the Group will continue to optimise deployment of its “Content is King” strategy, and assume creation of outstanding original content as its responsibility. It will also strengthen communications with outstanding directors and production teams to increase the output of content and its quality. The Group will enhance promotion of “huanxi.com” by deepening cooperation with Internet and entertainment entities to capture opportunities arising from the paid online viewing trend, in order to further consolidate the Group’s leading position in China’s film and television industry, and create high-value and long term returns for its shareholders.

CORPORATE GOVERNANCE

Corporate Governance Practices

Throughout the six months ended 30 June 2023, 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 Listing Rules.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the reporting period.

Board Composition

The Board currently comprises 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 was no change in Directors’ information since the date of the annual report 2022, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Same).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

Review of Interim Results

The Committee 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 2023. 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, 21 August 2023

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