

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020**

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 2020 together with the comparative amounts for the corresponding period in 2019. The unaudited condensed consolidated interim financial information of the Group have been reviewed by the Company’s audit committee.

* *for identification purpose only*

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

For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
Revenue	4	492,065	1,068,980
Cost of revenue	6	(364,880)	(604,524)
Gross profit		127,185	464,456
Other income		15,665	8,375
Other (losses)/gains		(189)	308
Selling and distribution costs	6	(50,037)	(7,035)
Administrative expenses	6	(54,005)	(55,553)
Operating profit		38,619	410,551
Finance income		872	2,358
Finance costs		(704)	(2,463)
Finance income/(costs), net		168	(105)
Profit before tax		38,787	410,446
Income tax expense	7	(18,456)	(88,914)
Profit for the period		20,331	321,532
Profit for the period attributable to owners of the Company		20,331	321,532
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		(5,971)	(7,799)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(18,233)	(5,465)
		(24,204)	(13,264)
Total comprehensive (loss)/income for the period		(3,873)	308,268
Total comprehensive (loss)/income for the period attributable to owners of the Company		(3,873)	308,268
Earnings per share			
Basic and diluted (HK dollar)	9	0.01	0.11

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		3,739	4,571
Right-of-use assets		27,790	36,097
Intangible assets		8,804	11,294
Deposits and prepayments	12	57,092	105,198
Prepayments for film and TV programmes rights	10	356,230	362,707
Film and TV programmes rights	11	203,502	118,438
		657,157	638,305
CURRENT ASSETS			
Film and TV programmes rights	11	471,217	803,514
Trade and other receivables, deposits and prepayments	12	228,757	155,120
Contract assets		6,139	2,364
Cash and cash equivalents		162,228	256,203
		868,341	1,217,201
Total assets		1,525,498	1,855,506
EQUITY			
Share capital		31,547	31,547
Reserves		1,095,969	1,098,683
Total equity		1,127,516	1,130,230
NON-CURRENT LIABILITY			
Lease liabilities		12,417	20,997
CURRENT LIABILITIES			
Trade and other payables	13	72,008	93,860
Film investment funds from investors		108,586	188,634
Contract liabilities		44,809	279,250
Borrowings	14	92,850	50,000
Lease liabilities		16,295	15,897
Current tax liabilities		51,017	76,638
		385,565	704,279
Total liabilities		397,982	725,276
Total equity and liabilities		1,525,498	1,855,506

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019 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 2020.

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 2020. The Group applies these amendments for the first time in 2020, 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

The following new standards and amendments to standards have been issued, but are not effective for the Group’s financial year beginning on 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
HKAS 3 (Amendments)	Reference to the conceptual framework	1 January 2022
HKAS 16 (Amendments)	Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	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 announced

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2019.

4. REVENUE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
– Sub-licensing of film and TV programmes rights	477,693	254,881
– Share of box office income	75	810,185
– Other media related revenue	14,297	3,914
	<u>492,065</u>	<u>1,068,980</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, include property agency business and security trading and investments business, do not meet the reportable segment threshold and are thus not separately included in the reports provided to the CODM. The results of these operations are included in the "others" column.

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

	Six months ended 30 June					
	Investment in film and TV programmes rights		Others		Consolidated	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue						
– Sub-licensing of film and TV programmes rights	477,693	254,881	–	–	477,693	254,881
– Share of box office income	75	810,185	–	–	75	810,185
– Other media related revenue	14,297	3,914	–	–	14,297	3,914
	<u>492,065</u>	<u>1,068,980</u>	<u>–</u>	<u>–</u>	<u>492,065</u>	<u>1,068,980</u>
Timing of revenue recognition						
At a point in time	<u>492,065</u>	<u>1,068,980</u>	<u>–</u>	<u>–</u>	<u>492,065</u>	<u>1,068,980</u>
Segment profit/(loss)	<u>69,847</u>	<u>444,763</u>	<u>(8)</u>	<u>(4)</u>	<u>69,839</u>	<u>444,759</u>
Unallocated corporate expenses					(31,220)	(34,208)
Finance income/(costs), net					<u>168</u>	<u>(105)</u>
Profit before tax					<u>38,787</u>	<u>410,446</u>
Income tax expense					<u>(18,456)</u>	<u>(88,914)</u>
Profit for the period					<u>20,331</u>	<u>321,532</u>
Other information (included in measure of segment profit/(loss))						
Other income	15,449	8,375	–	–	15,449	8,375
Depreciation of property, plant and equipment	(332)	(695)	–	(1)	(332)	(696)
Depreciation of right-of-use assets	(3,303)	(1,160)	–	–	(3,303)	(1,160)
Amortisation of intangible assets	(2,412)	(2,418)	–	–	(2,412)	(2,418)
Amortisation of film and TV programmes rights	<u>(362,709)</u>	<u>(602,238)</u>	<u>–</u>	<u>–</u>	<u>(362,709)</u>	<u>(602,238)</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 2019. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of unallocated corporate expenses, finance income/(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	
	2020	2019
	HK\$'000	HK\$'000
Employee benefit expenses (excluding directors' remuneration and share-based compensation)	21,366	20,674
Directors' remuneration	6,873	6,409
Share-based compensation		
– Employees	1,159	4,056
Depreciation		
– Property, plant and equipment	980	1,199
– Right-of-use assets	8,037	5,885
Short-term lease expense	205	2,508
Legal and professional expenses	3,723	3,348
Travelling and entertainment expenses	2,413	4,393
Advertising and marketing expenses	50,037	6,618
Amortisation of intangible assets	2,412	2,418
Amortisation of film and TV programmes rights	362,709	602,238
Auditors' remuneration	200	1,038
Others	8,808	6,328
	<hr/>	<hr/>
Total cost of revenue, selling and distribution costs and administrative expenses	468,922	667,112
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

Under the Law of the People's Republic of China (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 unaudited condensed consolidated interim financial information as the relevant group entities have incurred tax losses (for the six months ended 30 June 2019: 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 2019: same).

Income tax expense charged to the profit or loss represents:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax	18,456	88,914
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

Neither dividends were paid, declared or proposed for the six months ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of both reporting periods.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the 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 2020 and 2019.

	Six months ended 30 June	
	2020	2019
Profit attributable to owners of the Company (in HK\$'000)	20,331	321,532
Weighted average number of ordinary shares for basic and diluted earnings per share (in thousands)	3,154,655	3,052,695
Basic earnings per share (HK\$)	<u>0.01</u>	<u>0.11</u>

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 (for the six months ended 30 June 2019: same).

10. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Prepayments for film and TV programmes rights (<i>Note</i>)	344,708	350,976
Prepayment for film director's fee	<u>11,522</u>	<u>11,731</u>
	<u>356,230</u>	<u>362,707</u>

Note: 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.

11. FILM AND TV PROGRAMMES RIGHTS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Film and TV programmes rights completed (<i>Notes a and b</i>)	306,630	542,788
Film and TV programmes rights under production	160,780	259,633
Film right investments (<i>Note c</i>)	102,492	99,897
Licensed film and TV programmes rights (<i>Note d</i>)	104,817	19,634
	674,719	921,952
Less: Current portion	(471,217)	(803,514)
	203,502	118,438

Notes:

- (a) As at 30 June 2020, the film and TV programmes rights completed includes two film rights with aggregated production cost of approximately HK\$244,138,000 in respect of a film *One Second* (一秒鐘) and an internet drama series *Run for Young* (風犬少年的天空).
- (b) As at 31 December 2019, the film and TV programmes rights completed includes a film right of approximately HK\$349,907,000 in respect of a film *Lost in Russia* (囧媽). On 26 February 2019, the Group (i) entered into a film production agreement with Beijing Joy Leader Culture Communication Co. Ltd. (北京真樂道文化傳播有限公司) (“Beijing Joy Leader”), a company which is owned as to 51% by Mr. Xu Zheng (“Mr. Xu”), the non-executive director of the Company, as the production house of the aforementioned film at a consideration of RMB30,000,000 and requested Beijing Joy Leader to sign contract with independent third parties (“Third Party Contracts”) on behalf of the Group in relation to the film production provided that the total amount of Third Party Contracts did not exceed RMB100,000,000 and (ii) entered into a film director agreement, a producer agreement, a screenwriter agreement, and an actor agreement with Mr. Xu, the non-executive director of the Company, at a consideration of RMB27,000,000, RMB10,000,000, RMB10,000,000 and RMB40,000,000, respectively. Such costs have been capitalised as the film and TV programmes rights. Please refer to the Company’s circular dated 23 May 2019 for details.
- (c) The balance represented the Group’s investments in film productions which entitled the Group to a predetermined percentage of income to be generated from the films based on the Group’s investment portion as specified in respective film right investment 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 streaming platform or sub-licensing the license rights to other independent third parties.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
– Sub-licensing of film and TV programmes rights	2,767	2,816
– Share of box office income	3,908	–
– Film investment income	45,741	106,316
– Other media related revenue	2,024	–
– Others	349	349
	<u>54,789</u>	<u>109,481</u>
Loss allowance	(257)	(257)
	<u>54,532</u>	<u>109,224</u>
Deposits	6,250	6,287
Prepayments (<i>Note</i>)	90,967	124,874
Other receivables	134,100	19,933
	<u>285,849</u>	<u>260,318</u>
Less: Amounts due within one year shown under current assets	(228,757)	(155,120)
Non-current portion	<u>57,092</u>	<u>105,198</u>

Note: The prepayments mainly represented the prepayments made by the Group in relation to acquisition of licensed film rights from independent third parties for the Group's streaming platform.

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	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	5,226	3,976
91 – 180 days	706	–
181 – 365 days	–	11,364
Over 365 days	48,600	93,884
	<u>54,532</u>	<u>109,224</u>

(i) **Other receivables pledged as security**

As at 30 June 2020, the Group has pledged other receivables amounting to approximately HK\$92,650,000 (31 December 2019: nil) to third parties to obtain borrowings amounting to approximately HK\$92,850,000 (31 December 2019: nil) and has retained late payment and credit risk. Thus, the Group considers the held to collect business model to remain appropriate for these other receivables and continues measuring them at amortised cost.

(ii) **Fair values of trade and other receivables**

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 2020 HK\$'000	31 December 2019 HK\$'000
Trade payables	53,912	67,851
Other payables	11,157	10,314
Accruals	6,939	15,695
	<u>72,008</u>	<u>93,860</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 is as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 – 30 days	161	23,483
91 – 180 days	15,336	–
181 – 365 days	5,299	3,246
Over 365 days	33,116	41,122
	<u>53,912</u>	<u>67,851</u>

14. BORROWINGS

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Other borrowings		
Secured	92,850	–
Unsecured	–	50,000
	<hr/>	<hr/>
Total borrowings	92,850	50,000
	<hr/> <hr/>	<hr/> <hr/>

The borrowings were interest-free and repayable within one year.

The secured borrowings are secured by other receivables amounting to approximately HK\$92,650,000 (31 December 2019: nil).

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

15. EVENTS AFTER THE REPORTING PERIOD

- (a) Due to the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020, the social distancing measures imposed in the PRC and hence cinemas were temporary closed and the release of new movies was suspended in the PRC.

Starting from mid-July this year, the cinemas in the PRC have resumed opening and operation, provided that effective prevention and control measures have been implemented against the pandemic. The release date of a number of blockbusters has already been announced, reflecting the gradual recovery of China’s film market from the pandemic.

The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the media market, and will continue to perform relevant assessments and take proactive measures to minimise its impact towards the Group’s business operations and financial results.

- (b) Pursuant to the cooperation agreement between the Group and Beijing ByteDance Network Technology Limited on 23 January 2020, the first-phase cooperation of the parties ended on 23 July 2020. Due to the impact of the COVID-19, the Group expects that total consideration derived from the above cooperation will be adjusted from RMB630,000,000 to RMB449,700,000.
- (c) *Leap* (奪冠) (former title: *Leap* (中國女排)), directed by Chan Ho Sun Peter and starring Gong Li and Huang Bo; and *Warm Hug* (溫暖的抱抱), directed by Chang Yuan and starring Chang Yuan, Shen Teng and Li Qin, both produced by the Group, have been scheduled to make debut on cinema screens in the coming National Day holiday (30 September 2020) and the New Year holiday (31 December 2020), which is expected to have a positive impact on the results of the Group.

16. LITIGATION

A court action commenced in the Chengdu Intermediate People's Court on 29 April 2018 by Chengdu Watson Media Co., Ltd.* (the "Chengdu Plaintiff"), an independent third party, against Beijing Huanxi Shou Ying Culture Company Limited*, an indirect wholly-owned company through contractual arrangements, and other 17 investors of the film *Us and Them* (後來的我們) (the "18 Defendants").

By the above action, the Chengdu Plaintiff alleged that the 18 Defendants through unfair competition adversely affected the box office receipts of the Chengdu Plaintiff's film during the release period of the film *Us and Them* (後來的我們). The Chengdu Plaintiff mainly requested the 18 Defendants to compensate for a total sum of RMB10,000,000 and bear the relevant legal fee and reasonable expenses arising from their legal rights protection.

During the six months ended 30 June 2020, the court action was withdrawn by the Chengdu Plaintiff and the Group was not liable to any compensation.

* The English name is for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Huanxi Media Group Limited continued to record profit during the review period, which was mainly attributable to the Group's extensive industry experience, excellent film and TV programme contents and quick response to combat the outbreak of the Coronavirus Disease 2019 pandemic (the "Pandemic") during the first half of 2020, a tough time for the industry.

During the period, as affected by the Pandemic, a number of movies invested by the Group had to be delayed to make the debut on cinema screens, led to the Group's revenue from releasing movies in cinemas largely decreased during the period of this year. However, for the six months ended 30 June 2020, the Group debuted its exclusively invested movie *Lost in Russia* (囧媽) on the streaming platforms which generated a considerable revenue for the Group and the enthusiastic response received also substantially exceeded its expectation, as it gained widespread acclaim while attracting users of streaming platforms for the Group, extending its reach to a larger audience, and also strengthened the brand awareness of "huanxi.com" (歡喜首映). In the first half of 2020, the Group still recorded revenue of HK\$492,065,000 and net profit of HK\$20,331,000 despite the Pandemic. The Group expects that after a number of movies invested by the Group to make the debut on cinema screens gradually and contribute revenue to the Group when the situation of the Pandemic improves, the results of the Group will be improved. The Group's outperformance over its peers also serves as testimony to its strategy to invest in and produce quality film and TV content. That strategy plus its first mover advantage in building the self-operated streaming platform which demonstrates a more mature development enabled the Group to maintain healthy business growth even during the Pandemic.

Observing the current increasingly popular online viewing trend, the Group continued to develop its “huanxi.com” business during the period. In addition to collaborating closely with many leading internet and entertainment enterprises in China, the Group has also formed an alliance with Huawei Video, a video app created by Huawei for its terminal users, so as to leverage Huawei’s platform to build a fixed gateway directing traffic to “huanxi.com” which helps introduce greater user traffic to the platform. Besides, the Group strived to enrich its platform resources by actively sourcing premium cinema and TV productions from around the world to meet demand of users for excellent contents. Quality films released during the period included *Lost in Russia* (囧媽), *Two Tigers* (兩只老虎), *Sheep without a Shepherd* (誤殺), *The Wild Goose Lake* (南方車站的聚會) and *The Whistleblower* (吹哨人). Its quality film and TV contents further attracted fee-paying subscribers. Currently, the mobile application (APP) of “huanxi.com” has been downloaded over 17,000,000 times and the number of fee-paying subscribers exceeded 3,300,000 and continue to grow steadily.

Investment in Film and TV Programmes Rights Business

For the six months ended 30 June 2020, the Group’s segmental revenue and the segmental profit decreased to HK\$492,065,000 (30 June 2019: HK\$1,068,980,000) and HK\$69,847,000 (30 June 2019: HK\$444,763,000) respectively. The decrease was mainly due to a number of movies invested by the Group had to be delayed to make the debut on cinema screens as a result of the Pandemic.

Other Businesses

The Group’s other businesses include property agency business and securities trading and investments business. For the six months ended 30 June 2020, the Group’s other businesses did not record any revenue (30 June 2019: nil) and recorded segmental loss of HK\$8,000 (30 June 2019: HK\$4,000). The Group’s other businesses have remained inactive during the period.

FINANCIAL REVIEW

Review of Results

During the period under review, the Group’s revenue and profit attributable to the owners of the Company decreased to HK\$492,065,000 (30 June 2019: HK\$1,068,980,000) and HK\$20,331,000 (30 June 2019: HK\$321,532,000) respectively. The decrease of revenue and profit attributable to the owners of the Company were mainly due to a number of movies invested by the Group had to be delayed to make the debut on cinema screens as a result of the Pandemic.

For the six months ended 30 June 2020, earnings per share of the Group amounted to HK\$0.01 (30 June 2019: HK\$0.11) and net asset value per share attributable to the owners of the Company was HK\$0.36 (31 December 2019: HK\$0.36).

Liquidity and Financial Resources

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and borrowings. As at 30 June 2020, the Group had net current assets of HK\$482,776,000 (31 December 2019: HK\$512,922,000), with cash and cash equivalents of HK\$162,228,000 (31 December 2019: HK\$256,203,000). As at 30 June 2020, the total equity of the Company amounted to HK\$1,127,516,000 (31 December 2019: HK\$1,130,230,000) with total borrowings of HK\$92,850,000 (31 December 2019: HK\$50,000,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was 0.08 (31 December 2019: 0.04) as at 30 June 2020. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2020, the Company had 3,154,655,408 ordinary shares (31 December 2019: 3,154,655,408) of HK\$0.01 each (the "Share" or "Shares") in issue.

On 19 March 2019, the Company completed an issuance of 236,600,000 ordinary shares, of nominal value of approximately HK\$2,366,000 in the capital of the Company at a price of HK\$1.6507 per subscription share to Maoyan Entertainment, with gross proceeds of HK\$390,555,620. Please refer to the Company's announcements dated 12 March 2019, 13 March 2019 and 19 March 2019 for details.

As at 30 June 2020, the proceeds had been fully utilised as intended for (i) investment in, production of and purchase of film and TV contents, (ii) development of online video platform and (iii) general working capital.

Charges on Assets

As at 30 June 2020, the Group's secured borrowings of approximately HK\$92,850,000 (31 December 2019: nil) were secured by other receivables amounting to approximately HK\$92,650,000 (31 December 2019: nil).

Foreign Exchange Exposure

The Group's cash flow from operations, cash on hand and assets are denominated mainly in Hong Kong dollars, US 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.

Events After the Reporting Period

Save as disclosed in note 15 to the unaudited condensed consolidated interim financial information, there was no material event after reporting period up to the date of this announcement.

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: the Group had significant contingent liabilities arose from one pending litigation).

Employees and Remuneration Policies

As at 30 June 2020, the Group had 102 employees (31 December 2019: 97). It hired more employees during the period under review to support the expanding of its media and entertainment related businesses. 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.

Prospects

The Group has always emphasised that the key to succeeding in the film and TV industry lies in importance of contents, believing this, together with providing extensive broadcast channels, will play a major role in shaping the industry in China going forward. In spite of the impact of the Pandemic on the film industry, the Group believes that the negative effects are only temporary. Film is an important part of social culture and has been widely favoured by the public. Watching movies has become a popular leisure entertainment. With the Pandemic situation improving in China and reopen stage of cinemas, the film industry is expected to recover gradually and thus the audience is expected to see films in cinemas again.

Starting from mid-July, the cinemas in Mainland China have resumed opening and operation, provided that effective prevention and control measures have been implemented against the Pandemic. The cinemas mainly showed old movies or small-scale productions in the first phase of reopening. Nonetheless, according to the industry figures, the box office receipts totalled nearly RMB200,000,000 in the second week of the re-opening, a growth of nearly 80% when compared with the previous week, with total attendance rising by 65% to 6,900,000. The release date of a number of blockbusters has already been announced, reflecting the gradual recovery of China's film market from the Pandemic.

The Group will continue to closely monitor the development of the film market and will arrange the optimal schedule for the release of its films, including several eagerly awaited productions. These include, for example, *Leap* (奪冠) (former title: *Leap* (中國女排)), the real-life story covering female volleyball players of the Chinese national team, directed by Chan Ho Sun Peter. Highlighting their tenacity and unyielding spirit to win honour for their country, this is an exceptional production delivered through the combination of familiar scenes and refined acting techniques. The film was originally scheduled to hit the big screen during the Chinese New Year holiday of this year, and it's now scheduled to debut in the coming National Day holiday. The Group is confident that this movie, highly anticipated by domestic audiences, will become "talk of the town" with good result obtained from the box office receipts. Other productions include *Li Na* (獨自·上場) (former title: *Li Na* (李娜)), also directed by Chan Ho Sun Peter, a biographical film to celebrate the tennis player Li Na who was Asia's first Grand Slam women's singles champion; *One Second* (一秒鐘), a feature film directed by Zhang Yimou; *Warm Hug* (溫暖的抱抱), directed by Chang Yuan and starring Chang Yuan, Shen Teng and Li Qin; *Miss Mom* (尋漢計) (former title: *Miss Mom* (生不由己)), directed by Tang Dalian and starring Ren Suxi; *Tropical Memories* (熱帶往事), produced by Ning Hao and directed by the young director Wen Shipei; *Leaping Over The Dragon Gate* (龍門相) (former title: *The Advanced Animals* (高級動物)), produced by Gao Qunshu; and *The Mountain* (上山), produced by Wang Xiaoshuai. Such blockbusters are expected to be released in cinemas and will become growth drivers of the Group's business. The Group is confident that these films will generate considerable revenue.

In addition, the Group seized the increasing paid viewing habit of video users and rising popularity of streaming media to develop "huanxi.com" into a selected film and TV content platform with a full membership system and paid viewing. More quality films and internet drama series will be introduced to optimise the bandwidth on the platform, and accelerate the growth of the user base. On top of films for which it has exclusive broadcast rights, "huanxi.com" will also launch internet dramas produced by its shareholder directors, of which *Run for Young* (風犬少年的天空), an internet drama directed by Zhang Yibai and adapted from a fiction work about youth, is expected to be released in the third quarter of 2020, and *Paradise Guesthouse* (天堂旅館), a 12-episode internet drama produced and co-directed by Wong Kar Wai, has commenced preliminary preparation work.

The Group will leverage partnerships for “huanxi.com” to continuously work with leading internet and entertainment giants in China to complement each other’s strengths, achieve mutual benefits, and further facilitate its own business development. The promotion of “huanxi.com” on the website and app of Tianjin Maoyan Weying Cultural Media Co., Ltd. (“Maoyan Weying”) and the plan of co-investing in films and TV projects, as well as the co-development of membership programmes with Huawei Video, 1905.com under CCTV6 and the TV terminal of BesTV, have commenced. All of these moves allow “huanxi.com” to expand its strengths in content and enhance its reach in streaming media.

In conclusion, the Group has and will continue to assign top priority on investing in and producing more quality original films and TV drama series. Capitalising on its comprehensive strategic presence, the Group will develop a streaming media platform that matches market demand, to provide more superior quality content and strengthen the marketing and promotion of “huanxi.com” with internet and entertainment companies. It will advance in this direction so as to tap the benefits from the increased popularity of paid viewing and thereby further reinforce the Group’s presence in the film and TV industry of China.

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 2020.

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 securities transactions of Directors. 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 seven Directors, with two executive Directors, two 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 1 January 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 2020 (for the six months ended 30 June 2019: nil).

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2020. 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
Dong Ping
Chairman

Hong Kong, 28 August 2020

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 and Mr. Xu Zheng as non-executive Directors, and Mr. Wong Tak Chuen, Mr. Li Xiaolong and Mr. Wang Hong as independent non-executive Directors.