H.BROTHERS ENTERTAINMENT

華誼騰訊娛樂

ANNUAL REPORT 2019

華誼騰訊娛樂有限公司

Huayi Tencent Entertainment Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00419)

This annual report, in both English and Chinese versions, is available on the Company's website at www.huayitencent.com (the "Company Website") and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

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CONTENTS

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Mr. YUEN Hoi Po

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Mr. YUEN Kin
Mr. CHU Yuguo

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

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CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2019.

While the global economic growth in 2019 was lower than projected, the pace of development of the Chinese film market also slowed down. The total box office proceeds, approximately RMB64.266 billion, represented a year-to-year growth of approximately 5.4% which was lower than the growth in 2018 (9.06%), with the attendance of the urban cinemas rising year-to-year by 0.64% to around 1.727 billion. Amidst such deceleration the market had however embraced a new landscape during the year. Theatre attendances during the Lunar New Year, summer holiday and the National Day holiday have once again been on the rise. In particular, the total box office receipts in the People's Republic of China (the "PRC") during the Lunar New Year reached RMB5.84 billion, leading the box office receipts in February to surpass the RMB11 billion mark. This makes up almost 20% of the total box office proceeds for 2019 and also sets the world record of the highest box office proceeds in a month for a single market. It shows that cinema going has gradually established itself as an indispensable form of entertainment in the PRC during festive periods, demonstrating that the Chinese film market can offer promising growth prospects in the future. Meanwhile, animation and science fiction films have become the centrepiece of the box office, with "*Ne Zha*" and "*The Wandering Earth*" racking up RMB5 billion and RMB4.6 billion respectively in box office receipts.

In the past few years, the Group has been endeavouring to identify the finest deals across the globe. In the light of the change in the audience's taste towards the movies' themes and the fact that the market trend is dominated by premium content, the Group has already participated in financing projects in North America, Europe and South Korea with various subjects, including the investment in and co-production of "*Space Sweepers*" (Korea's first science-fiction space feature film project, starring Song Jung-ki and Kim Tae-ri), "*Cherry*" (the first movie directed by the Russo Brothers since "*The Avengers*" series, starring Tom Holland who featured in the "*Spiderman*" series) and "*Moonfall*" (a Hollywood science-fiction and disaster epic directed by Roland Emmerich), etc. As these films will be screened in succession from 2020 onwards, the Group expects a significant boost in revenue from the Entertainment and Media Operations and anticipates the fame of the Group in domestic and overseas markets to take off.

On the other hand, Korean movies and television dramas have been making inroads into winning the favour of the Asian and even the worldwide audience, and have on many occasions attained success in global box office. The Group has been a first mover in making deployment in the Korean market during the past few years. All four television dramas produced by HB Entertainment, in which the Group holds a stake of 31%, have achieved commendable results in 2019, in particular "*Sky Castle*" (debuted in late 2018) and "*Beautiful Love, Wonderful Life*" (debuted in September 2019). The former set the then highest-ever Korean national average viewership rating of 23.8%, whilst the latter not only scaled new heights with a national viewership at 31.5% at its peak but also took the 2019 KBS Drama Awards by storm, winning the Best Actor in a Serial Drama, the Best Actress in a Serial Drama and the Newcomer Actor Award. Judging from their outstanding outputs, HB Entertainment's ability in production of films and TV dramas and market acumen will help the Group in the continuous exploration and consolidation of its position in the market of the film and television industry of South Korea and generate revenue with potential growth to the Group.

Looking ahead to 2020, the Group will forge ahead into the season of harvest in as much as the projects which it had developed and produced in the past few years will be screened successively. In order to enhance its revenue and growth in profit, the Group will continue developing and financing film projects with top-rate quality in North America, Europe, South Korea and the PRC, striving to introduce to the audience more prime and ingenious movies and television dramas, and actively looking for collaboration opportunities with elite and world-renowned film studios.

The theatrical release of films in the PRC and some other countries/regions is currently affected by the outbreak of COVID-19. The Group will closely monitor the latest development of the epidemic and coordinate with the global distributors to set appropriate theatrical release slots in the PRC and other countries/regions. It is not expected that there will be long-term material adverse impact to the Group's global production and distribution of films.

May I also take this opportunity to, on behalf of the Board, express heartfelt gratitude to the shareholders, investors and business partners for the unfailing trust and support, and to all our staff for their diligence and contribution towards the advancement of the Group over the past year.

WANG Zhongjun
Chairman
Huayi Tencent Entertainment Company Limited

Hong Kong, 26 March 2020

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the year ended 31 December 2019 are summarized in the table below:

	2019 HK$'000	2018 HK$'000
Continuing operations:		
Total revenue	**99,326**	109,168
Gross profit	**39,011**	38,214
Loss before net finance costs and taxation	**(27,384)**	(66,314)
Loss for the year from continuing operations	**(28,770)**	(66,455)
Loss attributable to equity holders of the Company	**(28,770)**	(67,026)
Profit for the year from discontinued operation	**–**	140,763
(Loss)/profit for the year	**(28,770)**	74,308

Business Review

	Revenue		Segment Results	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Continuing operations				
Entertainment and media operations	**2,736**	1,139	**5,476**	(21,118)
Offline healthcare and wellness services	**96,590**	108,029	**(12,132)**	(15,254)
Total	**99,326**	109,168	**(6,656)**	(36,372)

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

During the year ended 31 December 2019 (the "year under review"), the revenue from the Entertainment and Media Operations was approximately HK$2,736,000 (2018: HK$1,139,000) due to the lack of theatrical release of new films by the Group in the year. Meanwhile, the revenue from the offline healthcare and wellness services dropped by 11% to approximately HK$96,590,000 (2018: HK$108,029,000) as the Group had disposed of its equity interest in Beijing Si Hai Jun Tian Trading Company Limited ("SHJT") to an independent third party in May 2018. As a result, during the year under review, the Group's revenue from continuing operations amounted to approximately HK$99,326,000, representing a year-on-year decrease of about 9%. In spite of that, the drastic decrease in administrative expenses and net exchange losses, together with the strong financial performance of HB Entertainment Co., Ltd. ("HB Entertainment"), an associate of the Group, during the year under review helped narrow down the loss for the year from continuing operations to approximately HK$28,770,000, substantially lower than the figure for the same period last year by 57%.

The Group has all the while been seeking opportunities in setting footprint in the Entertainment and Media Operations. The long lead time between film production and distribution has forbidden any new release by the Group during the year under review. It is however expected that, with five films scheduled to be screened worldwide and in the PRC during year 2020 and 2021 (detailed under "**Business Review**" section), the revenue and scale of the Entertainment and Media Operations of the Group will be bolstered significantly by then. On the other hand, the Group has entered into a Cooperation Framework Agreement during the year under review with Huayi Brothers International Limited ("HBI"). According to the agreement, the Group will collaborate with HBI in investing in and carrying out media and entertainment projects, as well as engage HBI in providing distribution services for various media and entertainment projects of which the Group owns or has acquired the distribution rights in the PRC. Such a move will enhance the synergy of the business within the Group. The aforementioned Cooperation Framework Agreement has already been approved at the Extraordinary General Meeting convened in June 2019.

HB Entertainment, in which the Group holds a stake of 31%, had a strong financial performance during the year under review and hence boosted its contribution to the Group's revenue. The Group's share of profit amounted to approximately HK$4,934,000 (the Group's share of loss in 2018: HK$1,234,000). Produced by HB Entertainment and aired at the end of 2018, "*Sky Castle*" had recorded the then highest-ever national viewership rating of 23.8% in Korea, thereby strengthening HB Entertainment's bargaining power with local television stations. HB Entertainment had, during the year under review, produced three television dramas, namely "*Beautiful Love, Wonderful Life*", "*Partners for Justice 2*" and "*Big Issue*", and all three had achieved commendable results. In particular, "*Beautiful Love, Wonderful Life*", which made its debut in September, had hit the highest national viewership at 28.3% during the year under review and topped the national viewership ranking for seven consecutive weeks between November and mid-December 2019. The final episode aired in March 2020 reached the highest national viewership at 31.5%.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

The Group will continue producing and financing quality films and television dramas, as well as seeking opportunities of collaboration with elite and world-renowned film studios in North America, Europe, South Korea, etc. Though the revenue of the Entertainment and Media Operations was approximately HK$2,736,000 (2018: HK$1,139,000) due to the lack of theatrical release of new films by the Group during the year under review, the Entertainment and Media Operations had achieved a turnaround with a segment profit of approximately HK$5,476,000 (segment loss in 2018: HK$21,118,000), thanks to the share of profit of approximately HK$4,934,000 during the year under review (share of loss in 2018: HK$1,234,000) from its associate, as well as reducing provision of asset impairment during the year under review.

The operation of "Bayhood No. 9 Club" and the proceeds hence derived from membership, green fee and food and beverages was the major source of revenue for the healthcare and wellness services. Originally concentrating on high-end customers, it has gradually reinvented its position by extending its target customer group to the mid-end ones. The competition in the healthcare and wellness market remains stiff, and, coupled with the disposal of the Group's 51% equity interest in SHJT in May 2018 to an independent third party, a period-to-period drop in revenue from the relevant operations during the year under review by 11% to approximately HK$96,590,000 (2018: HK$108,029,000), and a decrease in segment loss of 20% to approximately HK$12,132,000 (2018: HK$15,254,000), were recorded.

Business Review

The growth of the Chinese economy has slackened in 2019 against the backdrop of the tension in Sino-American relationship and a worldwide economic downturn. Whilst the PRC's annual Gross Domestic Product ("GDP") grew to some RMB99 trillion, an increase of 6.1% compared with last year, the GDP per capita has surpassed the US$10,000 mark and stood at US$10,276. The average per capita disposable income was RMB30,733, with that of the urban residents being RMB42,359. The standard of consumption continued to rise, and the average per capita spending rose by 5.5% from the previous year to approximately RMB21,559. Thanks to the ever-improving quality of living in the PRC, more emphasis has now been attached to the quality of the cultural and entertainment consumption, as evidenced by the year-on-year growth of 12.9% in the average per capita spending on educational, cultural and entertainment to RMB2,513.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

According to the statistics of China Film Administration, the gross box office in the country reached RMB64.266 billion (i.e. a year-on-year growth of 5.4%) in 2019. During the year under review, the total attendance of the urban cinemas had recorded a mild growth, as compared with last year, to 1.727 billion, while the total number of cinema screens across the country soared by 9,708 to 69,787, further cementing the PRC's leading status in the aspect. The audience has been placing more emphasis on quality and concentrating on watching reputable movies, as demonstrated by the facts that the growth of the gross box office had outpaced that of the attendance of the urban cinemas, and that the top ten movies with best box office performance had racked up as much as RMB28.582 billion which amounted to 44.5% of the total box office receipts in the PRC during the year. At the same time, the word-of-mouth effect has become even more apparent for the newly released films, hence intensifying the polarisation of the box office performance: those with limited quality were weeded out by the market and the audience soon after they were out in theatres. As for the genres of films, the box office of traditional comedies and action movies is on the wane but the animation and science-fiction films are gaining in popularity. In view of such, the Group has been investing actively in the popular film genres during the year under review, so as to keeping pace with the latest trend of the market while giving weight to the quality of the movies.

The film market of North America remained the largest one in the world in 2019. Despite the total box office dropping year-on-year by 3.6% to US$11.45 billion, it is still the second highest annual box office in history. In terms of global box office, the top ten best-performing films in 2019 were all distributed by movie studios from Hollywood. Amongst them, the box office receipts of "*Avengers: Endgame*" and "*Fast & Furious Presents: Hobbs & Shaw*" in the PRC reached RMB4.248 billion and RMB1.434 billion respectively, thus clearly showcasing the continuous dominance of Hollywood movies in the worldwide market and their strong appeal in the Chinese market. Such popularity is an important business expansion indicator with regard to the investment in development or the participation in production of Hollywood movies, as well as the hoard of a vast array of premium overseas intellectual properties ("IP").

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Meanwhile, for the film market of Korea in 2019, four out of the top ten best-performing movies in terms of box office receipts were Korean ones, according to the figures released by the Korean Film Council. Amongst these four films, the action comedy "*Extreme Job*" had even outperformed "*Avengers: Endgame*" as the former racked up more than 16 million in audience number and KRW139.6 billion in cumulative box office, turning itself into a history maker by becoming the second best performer ever in terms of audience number and attaining the highest ever box office receipts in Korea. "*Parasite*", the fifth-ranked film on the list, went on to become the first film in a language other than English to win the Best Picture in the Academy Awards and the first Korean film to be awarded Palme d'Or at the Cannes Film Festival. These accolades reflect the fact that the Korean films are not only acclaimed by the local audience but also recognized by the international film market. With their compelling and exciting potential, it is hopeful that the Korean films will be gaining more popularity across the Asia-Pacific region and even the world. The Group continues to be optimistic about the demand for Korean films and television dramas in Korean and overseas markets. By investing in HB Entertainment, co-establishing the Huayi-Warner Contents Fund with Warner Bros. Korea Inc. ("Warner Bros. Korea"), and making direct investment in high-quality projects of Korean movies and television dramas, the Group had made an early deployment in the field and such moves are expected to proffer considerable returns to the Company in the long run.

(1) ***Entertainment and Media Operations***

The growth of the Chinese film market has slowed down in 2019 due to structural adjustment, with the excellent ones outcompeting the rest. The audience has been placing more emphasis on quality and theme, meaning that enrichment in quality and reputation is the key to success in the box office. During the year under review, the Group had entered into a Cooperation Framework Agreement with HBI with a view to reinforcing the Group's deployment in the film market. The two parties will collaborate in investing in and launching media and entertainment projects, which include the ones from Hollywood and the PRC, and some will be screened in succession in year 2020 and 2021.

The Group has all along been paying heed to the trend of the film market and the evolvement of taste of the audience, as well as actively looking for opportunities in commencing media and entertainment projects in North America. During the year under review, the Group's joint investment in and production of "*Moonfall*" with HBI, its parent company, have already been put in place and the Group also obtained the distribution rights of the film in the PRC. "*Moonfall*" is a Hollywood science-fiction and disaster epic directed by Roland Emmerich, the director of "*2012*", "*The Day After Tomorrow*" and "*Independence Day*" series. A production in partnership with Centropolis Entertainment, Street Entertainment, HBI and the Company, the film narrates that the moon is driven out of orbit by a mysterious force and collides toward the Earth, bringing doomsday to the Earth due to gravitational imbalance. Amid desperation, a seemingly disorganized squad decides to fight the final battle to protect the Earth and humankind. Currently in pre-production stage, "*Moonfall*" is targeting a global release in 2021.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) ***Entertainment and Media Operations*** *(Continued)*

"*Cherry*", another movie invested in and co-produced by the Group, is an adaptation from Nico Walker's semi-autobiographical novel under the same title. It tells the story of the author who, after joining the American army in his youth, serving as an army medic in Iraq and retiring from military, suffered from post-traumatic stress disorder (PTSD) due to his experience in the battlefield. He became a drug addict, and, to satisfy his desire for drugs, he degenerated into a bank robber. Arrested and confined to prison in 2011, Nico Walker is expected to be released in 2020 and "*Cherry*" is the publication of his writings in jail. This film is the first movie directed by the Russo Brothers (Anthony Russo and Joe Russo) since "*Avengers: Endgame*", and is starred by Tom Holland who featured in the "*Spiderman*" series. With the completion of production in October 2019 and the post-production stage currently on-going, *"Cherry*" is targeting a global release in the second half of 2020.

In addition, during the year under review, the Group has financed and co-produced "*Extinct*", an original animated comedy aiming for family viewing. The story involves a species of fluffy animals called "Flummels" living in the Galápagos Islands in the 19th Century. Op and Ed, Flummels and siblings to each other, accidentally time-travel to modern-day Shanghai and discover that Flummels will become extinct. The duo therefore decide to travel back in time and save their race by crossing swords with the "evil forces". "*Extinct*" is directed by David Silverman (the director of "*The Simpsons Movie*" and "*Monsters, Inc.*" who has been honoured with four Emmy Awards) and the voice cast features Zazie Beetz (who has starred in "*Deadpool 2*" and "*Geostorm*"). The film is now at the post-production stage and is expected to open in theatres in the second half of 2020 throughout the PRC and the world.

In 2018, the Group had acquired 50% of the right of distribution in the PRC for four films produced in Europe and America. These four films, to be distributed in the PRC in collaboration with HBI, involve different genres such as mystery, biography, science fiction, action and fantasy adventure. One of them, titled "*Radioactive*", was produced by STUDIOCANAL, directed by Marjane Satrapi and starring Rosamund Pike (who appeared as the Bond girl in "*Die Another Day*"), Anya Taylor-Joy (the leading actress in "*Split*") and Sam Riley (the famous English actor and singer). Earlier premiered as the Closing Night Gala at the 2019 Toronto International Film Festival, the film is a biopic of Marie Curie, the two-time winner of the Nobel Prizes in Physics and Chemistry, and covers the important discoveries and stories of Marie Curie and her husband Pierre Curie in the early 20th century. The Group will respond to the latest situation in relation to the outbreak of COVID-19 and determine the appropriate timing of theatrical release for "*Radioactive*" in the PRC.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) ***Entertainment and Media Operations*** *(Continued)*

With regard to the Korean market, the Group remains optimistic about the demand for Korean films and television dramas in Korean and overseas markets. During the year, the Group has invested in and co-produced "*Space Sweepers*", the first science-fiction feature film project in Korea, as well as secured its distribution right in the PRC. The film is directed by Jo Sung-hee (the director of "*A Werewolf Boy*" and "*The Phantom Detective*") and is starring superstars like Song Joong-ki (the leading actor of "*Descendants of the Sun*" and "*The Battleship Island*"), Kim Tae-ri (the leading actress of "*The Handmaiden*" and "*1987: When the Day Comes*") and outstanding actors such as Yu Hae-jin and Jin Seon-kyu (who featured in "*Extreme Job*" which nabbed the top spot at the Korean box office in 2019). The shooting of the film, began in July 2019, was already completed and the post-production stage is currently taking place. It is expected to be screened in Korea in the summer of 2020. With a production budget of KRW24 billion (equivalent to approximately HK$160 million) and the first reunion of Song Joong-ki and Jo Sung-hee since "*A Werewolf Boy*", the film is expected to become the talk of the town in the summer of 2020. Concurrently, the Huayi-Warner Contents Fund, which was jointly established by the Group, Warner Bros. Korea et al., has financed three Korean films during the year under review, namely "*Jesters: The Game Changers*", "*The Battle of Jangsari*" and "*Bring Me Home*", hence further enriching the Group's film projects in the country. The Group hopes to identify more top-rated and fitting investment projects through the Huayi-Warner Contents Fund and will actively look for opportunities to cooperate with Korean producers on investing directly in premium Korean film projects.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) *Entertainment and Media Operations* *(Continued)*

HB Entertainment, in which the Group holds a stake of 31%, is principally engaged in production of and investment in films and television dramas, as well as management of artistes, in South Korea. "*Beautiful Love, Wonderful Life*", a production of HB Entertainment, premiered on 28 September 2019 and attained spectacular results. The television drama, directed by Han Joon-Seo (the director of "*Becoming a Billionaire*") and co-written by Bae Yoo-Mi and Goo Ji-won (the screenwriters of "*Should We Kiss First?*" and "*Home for Summer*" respectively), narrates a story of young people who, in spite of failing to fulfil their dreams after painstaking efforts, learn to appreciate the rugged life once again and seek small blisses along their journeys. It topped the national viewership ranking for seven consecutive weeks between November and December 2019, recording the highest national viewership at 28.3% (up to 31 December 2019). Its final episode aired in March 2020 reached the highest national viewership at 31.5%, and is deservingly hailed as one of the most popular Korean television dramas in 2019. During the 2019 KBS Drama Awards, Oh Min-suk, Seol In-ah and Kim Jae-young, who all starred in "*Beautiful Love, Wonderful Life*", were awarded the Best Actor in a Serial Drama, the Best Actress in a Serial Drama and the Newcomer Actor Award respectively. On the other hand, "*Sky Castle*", another television drama produced by HB Entertainment, made its debut in November 2018. Starring excellent actors and actresses like Yum-Jung-ah, Yoon Se-ah, Lee Tae-ran and Choi Won-young, the story mocks the contemporary helicopter parents who put their ambition upon their children. Considered as a fascinating masterpiece, it had soon become the talk of every town, conquering the first place of the chart of ratings and became the most talk-about drama for many weeks. In addition, when the last episode of "*Sky Castle*" was aired on 1 February 2019, it surpassed the previous record (18.68%) set by "*Guardian: The Lonely and Great God*" in 2017 and became the highest-rated Korean drama ever (23.8%). Besides, "*Partners for Justice 2*" and "*Big Issue*", the two television dramas produced by HB entertainment and aired during the year under review, have also achieved commendable performance. In particular, "*Partners for Justice 2*" has been able to inherit the huge popularity of its prequel. Directed by Noh Do-chu and Han Jin-sun (the directors of "*Partners for Justice*" and "*My Contracted Husband, Mr. Oh*" respectively), the production team includes Min Jue-un and Won Yeong-sil who are the screenwriters of the prequel. The story is about the doubts which the protagonist still harbours about a case from the previous season, and by disclosing more facts on his own he has aroused vigorous reverberations. The drama has achieved a laudable nationwide viewing rate of 10.1% at its peak, according to the viewership statistics of TNmS in Korea.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(2) ***Healthcare and Wellness Services***

During the year under review, the Group's healthcare and wellness services focused on the operations of "Bayhood No. 9 Club", a healthcare and wellness centre which the Group continues to operate on a lease basis. It is one of the top green health clubs in the PRC with well-equipped facilities such as a standard 18-hole golf course, lakeside golf course private VIP rooms, spa facilities as well as Asia's first PGA-branded golf academy, offering high-end enterprises and individual clients professional and excellent healthcare and wellness services. The membership of "Bayhood No. 9 Club" remained steady during the year under review, and the healthcare and wellness services contributed approximately HK$96,590,000 in revenue to the Group in 2019, marking a drop of 11% as compared to the corresponding period last year. The major reason was the drastic decrease in rental income due to completion of the Group's disposal of its 51% equity interest in SHJT to an independent third party in May 2018.

In the face of fierce market competition and mounting pressure of rising operating costs, the business environment of the healthcare and wellness services had become more challenging. Even though the healthcare and wellness services, generally speaking, can be regarded as self-sustaining at present, the Group intends to concentrate its resources on the development of its core Entertainment and Media Operations. There will not be further investment in the healthcare and wellness services in the future as a result. The Management will continue endeavouring to step up its efforts in cost controls, so as to maintain the profit margin and stable operations of the healthcare and wellness services. In order to support the all-out efforts in running the Entertainment and Media Operations and to reinforce the expansion of the core business of the Group, however, the possibility of future resources integration cannot be ruled out.

Business Outlook

Looking ahead to 2020, the Group expects that, given the successive completion of entertainment and media projects which it had financed and produced, the season of harvest is now on the horizon. It is anticipated that five movies of the Group will be screened across the globe and in the PRC during the year 2020 and 2021, including productions directed by famous Hollywood directors and films enthusiastically talked about in Korea. The Group is confident that these productions will attain success and significantly boost the Group's revenue generated from the Entertainment and Media Operations.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Outlook *(Continued)*

In terms of the medium/long-term development, the PRC film market is growing quickly: with a compound annual growth rate of 9.4% over the next five years, the PRC is expected to become the largest film market in the world with revenue reaching US$15.5 billion by 2023. While the five most successful films in 2019 enveloped 30% of the box office receipts of the year, the number of Chinese films which grossed between RMB500 million and RMB1 billion had recorded a significant fall on a year-to-year basis. The increased polarisation in box office receipts is a reflection of the rise of the audience's demand for premium content. With reputation playing a more important role in determining the performance of the box office, quality content will become the core driver of the market. At the moment, the number of screens for the Chinese film market is fast approaching 70,000, and such growth will further stimulate and lend an impetus to the development of the market.

Besides, according to the latest report titled "New Era of China's Film Industry" under its China Culture & Entertainment Report Series, Deloitte points out that, driven by a concerted government incentivising policy, inflow of sizable amount of capital and a growth in audience in recent years, the PRC film industry will gradually expand in scale. The box office receipts of the PRC market is already the strongest driver of the growth in global box office receipts. At the same time, the investment in new theatres will gradually expand to second- and third-tier cities, and the trend of mild growth in the export of Chinese movies will remain. The attraction brought by such continuous growth, nevertheless, means that competition in the field of film production will intensify. Against the backdrop of rapid expansion of the PRC film market, the Group has long since optimized its market footprint. Through the collaboration with HBI in producing and distributing more appealing productions with first-rate content, the Group looks forward to embracing the forthcoming new era in which the PRC becomes the largest film market in the world.

With American films, in particular Hollywood blockbusters, dominating the market during the year under review, it is envisaged that such worldwide supremacy will continue in the coming few years. The Group has been actively seeking global opportunities for investing in prime films and television dramas, and has already confirmed its investment in several film projects, including "*Moonfall*", the Hollywood science-fiction and disaster epic. The Group will continue developing projects with top-notch film studios and producers in North America and Europe, etc., so that different works may be presented to the audience continuously.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Outlook *(Continued)*

In recent times Korean movies have been attaining success after success. The feats of overwhelming Hollywood productions in box office and swooping away numerous prestigious awards are the indicators that Korean films are well received in the market and audience both locally and internationally, including the PRC. The Group believes that high-quality Korean films and television dramas will be in strong demand in Korean as well as in other Asian markets. Therefore, the Group will invest in those prime projects in the future and step up its efforts in hoarding up quality Korean IP. As there are signs of the Korean entertainment and culture staging a comeback in the Chinese market, the Group will seize the chance and introduce preeminent Korean films and television dramas into the PRC.

The theatrical release of films in the PRC and some other countries/regions is currently affected by the outbreak of COVID-19. The Group will closely monitor the latest development of the epidemic and coordinate with the global distributors to set appropriate theatrical release slots in the PRC and other countries/regions. The Group does not expect that there will be long-term material adverse impact to the Group's global production and distribution of films. On the other hand, the repercussion of the epidemic on the Healthcare and Wellness Services operation is confined to the affiliated food and beverage operations thus far, as the 18-hole golf course in the "Bayhood No. 9 Club" is closed in the winter season as it has been in prior years. Subject to the then development of the epidemic, "Bayhood No. 9 Club" is set to re-open in phases since the end of March 2020. The Group will continuously monitor the development of the epidemic, evaluate its potential impact on the Group's Healthcare and Wellness Services operation, and formulate corresponding measures.

Environmental & Social Responsibilities

a) ***Environmental responsibilities***

Committed to building an "eco-friendly" enterprise, the Group strictly abides by — throughout its daily operations — laws and regulations on environmental protection in jurisdictions where its operations are located. In addition to implementing various environmental management actions, we also use fertilizer and pesticide products that comply with national standards in relation to environmental protection, so as to ensure that exhaust gas, sewage and office waste are properly recycled and processed, with a view to minimizing the environmental impact of our business operations.

The Group embeds the concept of green environmental protection into its activities, actively promotes environmental awareness, advocates the idea of "energy saving and emission reduction", improves the efficiency of the resource utilization, with the aim of minimizing damage to the environment while reducing operating costs. In the course of our operation, we strictly abide by relevant laws and regulations on environmental protection where we do business and have formulated corresponding environmental management systems, actively deliver environmental protection messages, enhance environmental awareness among employees, customers as well as other stakeholders, thus fulfilling our shared commitment to protecting the natural environment.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Environmental & Social Responsibilities *(Continued)*

b) ***Social responsibilities***

As a responsible corporate citizen, the Group keeps close communication with all of its stakeholders, so as to maintain collaborative relations based on mutual benefit and trust, to stay updated on demands and expectations of relevant stakeholders, and to keep improving its mechanism for stakeholder engagement, aiming to deliver synergistic growths in social and economic benefits.

The Group adheres to a "people-centric" talent strategy, attaches importance to the recruitment and cultivation of talents, and is committed to building core competitiveness with excellent staff teams. The Group and the businesses under its management have complied with the laws and regulations relating to human resources management where their operations are located, they adhere to legal and compliant employment and have established corresponding systems: safety drills are conducted on regular basis to enhance safety awareness among employees and their ability to cope with dangers; regular trainings are provided to employees and clear promotion channels are put in place to help them realize individual potential and achieve long-term career development; various employee activities are organized regularly to enhance their physical and mental health. We also create a safe and comfortable office environment, attach importance to employees' occupational health and safety, offer generous salary and holiday benefits, as well as safeguard the legitimate rights and interests of our employees, thus achieving growth along with employee development.

Striving to ensure product and service quality from the source, the Group has put in place strict standards for supplier selection to ensure that the business qualifications, management capabilities, service and product quality, as well as pricings of suppliers comply with its requirements on products and services. Through on-site investigation, the Group conducts a comprehensive assessment to ensure the stability in its supplier performance levels, which covers, including among others, production and supply capabilities, as well as credentials on safety and environmental management. To ensure a sustainable supply chain, the Group also regularly evaluates the compliance of suppliers, as well as the fulfilment of their environmental and social responsibilities, while promptly terminating cooperation with suppliers that underperform in service standards and securing additional suppliers of excellent performance.

The Group is committed to providing customers with a satisfactory experience through the delivery of premium services and quality products. The Group attaches great importance to requests and suggestions made by its customers, we have therefore set up a number of channels, including group chats on WeChat and customer hotlines, so as to collect and follow up on customer feedback in a timely manner, with a view to ensuring that their requests are properly addressed. The Group conducts thorough investigation and analysis at the early stage of its media investment, and it has also established a Greenlight Committee responsible for reviewing investment projects.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Environmental & Social Responsibilities *(Continued)*

b) ***Social responsibilities*** *(Continued)*

The Group safeguards the legitimate rights and interests of shareholders, customers as well as other stakeholders. In addition to strictly complying with laws and regulations against corruption, bribery, fraud and money laundering in jurisdictions where its operations are located, the Group also strengthens management on corporate internal control to prevent corruptions.

Having acknowledged its corporate social responsibilities, the Group continues to care for vulnerable groups. In forms such as donations and the provision of employment opportunities, the Group fully leverages on its strengths in resource reserve to support the development of local communities and give back to the society.

As a company listed on The Stock Exchange of Hong Kong Limited ("SEHK"), the Group strictly complies with the disclosure requirements of SEHK. Our Environmental, Social and Governance (ESG) Report for the year will be disclosed separately. As one of the platforms that we use to communicate with stakeholders, the ESG report will deliver a comprehensive view on what the Group has accomplished in the establishment of environmental, social and governance systems, as well as its performance during 2019.

FINANCIAL REVIEW

Continuing Operations

Revenue for the year ended 31 December 2019 amounted to approximately HK$99,326,000 (2018: HK$109,168,000), being a 9% decrease comparing to the prior year. Revenue from the "Entertainment and Media" segment surged by 1.4 time to approximately HK$2,736,000 (2018: HK$1,139,000). However, due to the lack of theatrical release of new films by the Group during the year, the contribution to the Group's revenue still remain low at 3% (2018: 1%). As discussed in the "Business Review" section, there are a few upcoming theatrical releases planned in year 2020 and thus management expects that the contribution of revenue from the "Entertainment an Media" segment will significantly boost in year 2020. On the other hand, revenue from the "Offline Healthcare and Wellness Services" segment for the year ended 31 December 2019 amounted to approximately HK$96,590,000 (2018: HK$108,029,000), being a 11% drop comparing to the prior year, mainly due to the completion of disposal of the Group's 51% interests in Beijing Si Hai Jun Tian Trading Company Limited, a then subsidiary of the Group, in May 2018.

Cost of sales for the year ended 31 December 2019 amounted to approximately HK$60,315,000 (2018: HK$70,954,000), being a 15% decrease comparing to the prior year. The decrease in cost of sales is because: 1) there was completed film rights amortization expense and impairment expenses in relation to "Rock Dog" movie of approximately HK$1,245,000 and HK$2,253,000 respectively in the prior year, while in the current year there was no such amortization and impairment expenses included in cost of sales; and 2) the completion of disposal of the Group's 51% interests in Beijing Si Hai Jun Tian Trading Company Limited, a then subsidiary of the Group, in May 2018.

FINANCIAL REVIEW *(Continued)*

Continuing Operations *(Continued)*

Other income and other gains, net, for the year ended 31 December 2019 amounted to approximately HK$936,000 (2018: other income and other losses, net, of approximately HK$3,887,000). The change from a net loss in the prior year to a net gain in the current year is mainly due to:1) the percentage of depreciation of Renminbi and South Korea Won against Hong Kong dollars is lower during the current year comparing to the prior year, leading to a smaller net exchange losses; and 2) there was a much higher bank interest income earned during the current year.

There was no marketing and selling expenses recorded for the year ended 31 December 2019 (2018: HK$296,000), as there was no theatrical release of new films by the Group during the year.

Administrative expenses for the year ended 31 December 2019 amounted to approximately HK$72,265,000 (2018: HK$99,111,000), being a 27% decrease comparing to the prior year. The decrease in administrative expenses during the year is mainly because there was provision for impairment of trade receivables and prepayment and other receivables of approximately HK$8,373,000 and HK$7,639,000 respectively in 2018, while provision for impairment of programmes and films in production progress was only HK$333,000 in 2019.

Share of results of an associate, representing the share of results of HB Entertainment (the Group's 31%-owned associated company which is principally engaged in production of and investment in movies and TV drama series, provision of artist management and agency services in South Korea) amounted to a profit of approximately HK$4,934,000 (2018: loss of approximately HK$1,234,000). The financial performance of HB Entertainment gradually improved following the debut of *"Sky Castle"*, one of the most popular TV drama series in Korea recording a national viewership rating of 23.779% at the end of 2018. HB Entertainment has also produced three TV drama series in 2019, including *"Love is Beautiful, Life is Wonderful"* which has recorded a highest national viewership rating of 31.5%, leading to a boost in its financial performance during the year.

Finance costs, net for the year ended 31 December 2019 amounted to approximately HK$601,000 (2018: HK$11,000). The increase in net finance costs during the year was mainly due to the incurrence of interests on bank borrowings of approximately HK$546,000 (2018: nil).

Discontinued Operation

The profit from discontinued operation for the year ended 31 December 2018 represented the gain on disposal (including the recycling of the relevant currency translation reserve upon disposal) of the entire shareholding in Hao You (including the Travel Channel operations) completed on 27 December 2018 amounting to approximately HK$140,763,000. Further details of the disposal are disclosed in Note 29 to the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management measures aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 31 December 2019, the Group held cash and cash equivalents of approximately HK$198,248,000 (2018: HK$362,490,000), being a 45% decrease comparing to the balance as at 31 December 2018. The Group has invested in certain films production during the year, leading to a decrease in balance of cash and cash equivalents as at 31 December 2019.

The Group is at net current asset position of HK$276,042,000 as at 31 December 2019 (2018: HK$435,115,000). The current ratio, representing the total current assets to the total current liabilities, decreases from 37.91 as at 31 December 2018 to 1.73 as at 31 December 2019, still representing a healthy liquidity position.

The gearing ratio, representing the net debt (total borrowings and total lease liabilities less cash and cash equivalents and pledged bank deposits) to total equity, is 15% as at 31 December 2019 (2018: N/A). The Group's total interest-bearing bank borrowings as at 31 December 2019 amounted to approximately HK$44,653,000 (2018: nil) and was denominated in Chinese Renminbi. The interest-bearing bank borrowings were used to finance investments in films.

Foreign Currency Exchange Exposure

The Group has operations and investments in the PRC, South Korea, the USA and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and South Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the current year, depreciation (2018: depreciation) in Chinese Renminbi and South Korean Won against Hong Kong dollars resulted in net exchange losses of approximately HK$1,968,000 (2018: net exchange losses of HK$8,798,000). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi and South Korean Won but manages through constant monitoring to limit as much as possible its net exposures.

Capital Structure

The Group has mainly relied on its equity, bank and other borrowings and internally generated cash flow to finance its operations.

During the year ended 31 December 2019 and 2018, the Company has not issued new ordinary shares.

CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group's secured bank and other borrowings of HK$365,682,000 (2018: nil) were secured by pledged deposits amounting to HK$370,624,000 (2018: nil).

As at 31 December 2019 and 2018, the Group did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 27 (2018: 26) full-time employees in Hong Kong and the PRC, and continued to manage "Bayhood No.9 Club" operations with 396 (2018: 384) full-time employees in the PRC. In addition, the Group has entered into several joint operation arrangements to produce or distribute films. The crew members employed under such joint operation arrangements have not been included in the above statistics.

The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group depending on the performance of the Group.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2019, the Company has applied the principles and met the code provisions of the Corporate Governance Code (the "CG Code") with the exception of the following deviation:

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Group should be separate and should not be performed by the same individual. During the period from 1 January 2019 to the date of this report, the roles of chairman ("Chairman") and chief executive officer ("CEO") have not been separated.

The Board believes that it is appropriate and in the interests of the Company and its shareholders as a whole for the same individual to serve as the Chairman and CEO because it helps ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group. The Board considers that this structure did not impair the balance of power and authority between the Board and the management of the Company.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises eight directors ("Directors") whose biographical details, as well as the relationship amongst them (if any), are set out on pages 34 to 38 of this Annual Report.

The Board is responsible for establishing the Group's corporate policy and strategic direction; setting business objectives and development plans; monitoring financial performance, internal controls and the performance of the senior management; and ensuring that the Company complies with all applicable laws and regulations. The Board delegates day-to-day operations of the Group to the management, which is responsible for implementing these strategies and plans.

The Board should meet regularly at least four times a year at approximately quarterly intervals and holds additional meetings as and when the Board thinks appropriate. During the year, a total of five Board meetings were held.

BOARD OF DIRECTORS *(Continued)*

Directors play an active role in participating in the Company's meetings. The composition of the Board as at the date of this report and their attendance at the Company's meetings during year 2019 are as follows:

		Meetings		Committee Meetings			
Directors	**Director Categories**	**Board**	**General**	**Audit**	**Remuneration**	**Corporate Governance**	**Nomination**
Mr. WANG Zhongjun	Chairman, Chief Executive Officer and Executive Director	5/5	2/2	–	member 2/2	chairman 1/1	chairman 1/1
Mr. CHENG Wu	Vice Chairman and Executive Director	4/5	1/2	–	–	–	–
Mr. WANG Zhonglei	Executive Director	5/5	2/2	–	–	–	–
Mr. HU Junyi	Executive Director	5/5	2/2	–	–	–	–
Mr. YUEN Hoi Po	Executive Director	5/5	2/2	–	–	–	–
Dr. WONG Yau Kar, David	Independent Non-executive Director	4/5	2/2	member 2/2	chairman 2/2	–	member 1/1
Mr. YUEN Kin	Independent Non-executive Director	5/5	2/2	chairman 2/2	member 2/2	member 1/1	–
Mr. CHU Yuguo	Independent Non-executive Director	5/5	2/2	member 2/2	–	member 1/1	member 1/1
Mr. LIN Haifeng[1]	Executive Director	3/5	1/2	–	–	–	–
Total number of meetings held		5	2	2	2	1	1

1. Resigned on 28 October 2019.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors save that Mr. WANG Zhongjun (Chairman) is the brother of Mr. WANG Zhonglei.

BOARD COMMITTEES

The Board has established Strategy Committee, Executive Committee, Corporate Governance Committee, Nomination Committee, Remuneration Committee and Audit Committee. Sufficient resources have been provided for the committees to undertake their duties. Each Board Committee has the authority to seek any complete and reliable information that it requires from the management. Where necessary, these committees should seek independent professional advice, at the Company's expenses, to perform their responsibilities.

Written terms of reference of each of the Executive Committee, Corporate Governance Committee, Nomination Committee, Remuneration Committee and Audit Committee are available on the websites of the Company, and, where applicable, the Stock Exchange.

Strategy Committee

The Strategy Committee is mainly responsible for formulating the Group's business strategy. As at the date of this report, the Strategy Committee comprises two Executive Directors, namely, Mr. WANG Zhongjun (chairman) and Mr. CHENG Wu.

Executive Committee

The Executive Committee currently comprises two Executive Directors, namely Mr. WANG Zhongjun (chairman) and Mr. CHENG Wu.

The Executive Committee is mainly responsible for improving the efficiency of the Board's operation and shorten any operations-related decision making processes, as sometimes it may be practically difficult to convene a full board meeting or to arrange all the Directors to sign a written resolution in a timely manner.

Corporate Governance Committee

The Corporate Committee currently comprises three members, including one Executive Director, namely Mr. WANG Zhongjun (chairman) and two Independent Non-executive Directors, namely Mr. YUEN Kin and Mr. CHU Yuguo.

The Corporate Governance Committee is mainly responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, one meeting was held by the Corporate Governance Committee to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, to review and monitor the training and continuous professional development of Directors and senior management, to review the Company's Shareholder Communication Policy, to review the code of conduct applicable to employees of the Company and to review whether the Directors have spent sufficient time to perform the director's duties.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee currently comprises three members, including one Executive Director, namely Mr. WANG Zhongjun (chairman) and two Independent Non-executive Directors, namely Dr. WONG Yau Kar, David and Mr. CHU Yuguo.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; making recommendations on any proposed changes to the Board; reviewing Board Diversity Policy and Nomination Policy; and assessing the independence of Independent Non-executive Directors.

During the year, one meeting was held by the Nomination Committee to evaluate candidates replacing the resigning directors, and to conduct the annual review of the structure, size and composition of the Board; to assess independence of Independent Non-executive Directors; to recommend the Board's rotation schedule for 2019 annual general meeting, and to review the Board Diversity Policy.

Remuneration Committee

The Remuneration Committee comprises three members, including two Independent Non-executive Directors, namely Dr. WONG Yau Kar, David (chairman) and Mr. YUEN Kin and one Executive Director, namely Mr. WANG Zhongjun.

The Remuneration Committee is mainly responsible for making recommendation to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; and making recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee was delegated responsibility to determine the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual Executive Directors and senior management.

During the year, two meetings were held by the Remuneration Committee to determine remuneration package and discretionary bonus for senior management.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. YUEN Kin (chairman), Dr. WONG Yau Kar, David and Mr. CHU Yuguo.

The Audit Committee is mainly responsible for the following:

1. Making recommendation to the Board on the appointment, reappointment, and removal of the external auditor, and to approve the terms of engagement of the external auditor;

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. Monitoring the integrity of the Company's financial statements and annual report and accounts, interim report and reviewing significant financial reporting judgments contained in them; and

4. Monitoring the Company's financial reporting system, risk management and internal control systems; assisting the Board in reviewing the effectiveness of the Company's risk management and internal control systems.

During the year, two meetings were held by the Audit Committee for the purposes of meeting the above mentioned responsibilities.

BOARD NOMINATION POLICY

The Nomination Policy of the Company sets out the process of nomination as well as the criteria for selection and recommendation of director candidates as adopted by the Nomination Committee. Conditions considered in the nomination criteria include but are not limited to the candidate's qualifications, skills, experience, independence and compliance with the Board Diversity Policy. The Board has the final decision on all matters in respect of recommending candidates to be elected or re-elected at a general meeting.

BOARD DIVERSITY POLICY

The Group adopted a Board Diversity Policy in 2013. A summary of this policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are as follows:

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, the Board takes into consideration a number of measurable factors, including but not limited to gender, age, cultural and educational background, or professional experience in order to attract and maintain a Board with an appropriate mix of skills, experience and expertise. The Nomination Committee has reviewed the Board's composition according to such criteria, and has monitored the implementation of the Board Diversity Policy annually.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills. According to the training records provided by each of the Directors, the training received by all Directors during the year is as follows:

Directors	Attending Seminars	Reading Regulatory Updates	Giving Speeches
Mr. WANG Zhongjun	✓	✓	✓
Mr. CHENG Wu	✓	✓	✓
Mr. WANG Zhonglei	✓	✓	✓
Mr. HU Junyi	✓	✓	
Mr. YUEN Hoi Po	✓	✓	
Dr. WONG Yau Kar, David*	✓	✓	✓
Mr. YUEN Kin*	✓	✓	
Mr. CHU Yuguo*	✓	✓	
Mr. LIN Haifeng[1]	✓	✓	✓

* Independent Non-executive Director

1. Resigned on 28 October 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. WANG Zhongjun has been appointed as the Executive Director and serves as the Chairman and CEO of the Company. The Board believes that it is appropriate and in the interests of the Company and its shareholders as a whole for the same individual to serve as the Chairman and CEO because it helps ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group.

NON-EXECUTIVE DIRECTORS

All Non-executive Directors (including Independent Non-executive Directors) of the Company were appointed for a specific term, but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors shall retire from their office but become eligible for re-election. All the Non-executive Directors are serving for a fixed term of not more than three years.

NON-EXECUTIVE DIRECTORS *(Continued)*

Throughout the year, the Board has at least three Independent Non-executive Directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Company has received from each of Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13. The Company considers that Dr. WONG Yau Kar, David, Mr. YUEN Kin and Mr. CHU Yuguo are independent in character and judgment and they also meet the criteria set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout year 2019.

The Code of Conduct applies to all the relevant employees as defined in the CG Code, including any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities.

EXTERNAL AUDITOR

The Audit Committee has received a letter from the existing auditor of the Company, PricewaterhouseCoopers, confirming their independence and objectivity. The remuneration paid to PricewaterhouseCoopers and its affiliated firms (if any) for services rendered is listed as follows:

Nature of the services	**2019** **HK'000**	2018 HK'000
Audit services	**2,100**	2,070
Non-audit services		
– Interim review services	**950**	910
– Tax advisory services	**170**	–
– Other non-audit services	**415**	828
	3,635	3,808

EXTERNAL AUDITOR *(Continued)*

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 49 to 54 which acknowledges the reporting responsibilities of the external auditor.

Annual Report and Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements which give a true and fair view of the state of the Group.

Accounting Policies

The Directors consider that in preparing the consolidated financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of consolidated financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquires, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

The Board believes that a comprehensive set of risk management and internal control systems plays an essential role in achieving the Group's strategic goals, and has therefore acknowledged its responsibility to set up and maintain these systems, as well as review their effectiveness, while the management is accountable for designing and executing the Group's internal control system to facilitate risk management. However, such internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and is only capable of providing reasonable, not absolute assurance.

Risk Management and Internal Control Systems

Established in 2015, the Group's risk management organizational structure is a 3-tier framework, comprising of the Board and its Audit Committee, senior management of the Group, as well as management of operations. This structure aims at facilitating the risk management in each aspect of the Group's businesses and constantly improving its internal control system. Details of the structure are set out as follows:

Risk Management Structure

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Risk Management and Internal Control Systems *(Continued)*

The roles of each level within the risk management structure are set out below:

Board and its Audit Committee
✓ Setting strategic goals ✓ Overseeing the design, implementation and monitoring of risk management and internal control systems by the management ✓ Evaluating major risks of the Group and judging their nature and degree ✓ Providing guidance on the importance of risk management and risk management culture ✓ Reviewing the effectiveness of the risk management and internal control systems

Senior Management of the Group
✓ Performing risk assessment on the Group from an overall perspective and developing risk management measures ✓ The design, implementation and monitoring of the risk management and internal control systems ✓ Providing the Board with confirmation of the effectiveness of the risk management and internal control systems

Risk Management Professionals
✓ Coordinating with and assisting senior management of the Group in promoting risk management ✓ Overseeing how each business department establishes and implements risk mitigation plans and countermeasures

Management of Operations
✓ Identifying and evaluating operational risks, designing, executing and monitoring the risk management and internal control systems implemented at operations ✓ Carrying out risk management processes and internal control measures across business operations and functional areas

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Risk Management and Internal Control Systems *(Continued)*

The Group has prepared the Risk Management Manual, which defines its risk management structure, respective duties and risk management processes. In each financial year, the Group organizes the management of each business department to implement their respective risk management processes. Through systematic risk management procedures, the Group identifies the nature and degree of the risks it faces, and assesses the major risks the Group is subject to. The Group prioritizes risks based on their probability and the severity of impact on the Group's businesses, and then develops risk management measures to keep the risks at an acceptable level.

The Group's internal control system was constructed based on the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Audit Committee reviews the effectiveness and adequacy of the system on an annual basis. If any deficiency of internal control is identified, the Group will address it by communicating with the management internally and ordering rectification to be made. Any material deficiency identified in the control or procedures will be reported to the Board directly for communication and discussion.

The Group has an independent internal audit function, which reports to the Audit Committee directly and regularly. The internal audit function is responsible for reviewing the Group's risk management and internal control measures, and overseeing the management and controls of each of the Group's businesses and processes independently, through which the internal audit function assists the Board in promoting the continuous improvement of the Group's risk management and internal control systems.

In relation to the management of disclosure of insider information, the Group has put in place the Insider Information and Disclosure Policies, setting out the definition of insider information and specifying the procedures for the handling and dissemination of insider information. The Group discloses information to the public generally and non-exclusively through channels including but not limited to financial reports, announcements or its website, with a view to achieving fair and timely disclosure of information. The Group strictly prohibits unauthorized use of confidential or insider information.

Review on the Risk Management and Internal Control Systems in 2019

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems for the year. The review covers all material aspects of control, including financial, operational and compliance controls. The Board has finished reviewing the Group's risk management and internal control systems for the year ended 31 December 2019 and is satisfied with the results. The Board and the management have also reviewed the adequacy of resources, staff qualifications and experiences, training programmes for staff and relevant budgets for the Group's accounting, internal audit and financial reporting functions, and is satisfied with the results.

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond, being an employee of the Company, has been appointed as Company Secretary of the Company ("Company Secretary") since 2008. The Company Secretary reports to the chairman of the Board. His appointment and removal is a matter for the Board as a whole.

The Company Secretary is mainly responsible for assisting the chairmen of the Board and its committees to prepare agendas for meetings and to prepare and disseminate meeting material to the Directors and committees' members in a timely and comprehensive manner; ensuring every Director complies with the Board's policy and procedures, and all applicable rules and regulations; and ensuring accurate records of Board/committee meeting proceedings, discussions and decisions are recorded.

According to Rule 3.29 of the Listing Rules, Mr. HAU has taken no less than 15 hours of relevant professional training during the year. His biography is set out on page 38 of this Annual Report.

INVESTOR RELATIONS

The Board is committed to providing clear and full performance information of the Group to shareholders through different publications and financial reports. Shareholders and investors may access the Corporate Communications via the Group's website (www.huayitencent.com).

COMMUNICATION WITH SHAREHOLDERS

Shareholders' communication policy was established for ensuring the enhancement of communication between the Company and its shareholders.

Shareholders are encouraged to attend general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings. Any vote of the shareholders at general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The chairman of the Board has attended the annual general meeting of the Company in year 2019 (the "AGM"). He has also invited the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the AGM. In case of their absence, he would invite another member of the committee or failing this his duly appointed delegate, to attend. These persons are available to answer questions at the AGM.

The chairman of the independent board committee (if any) would be available to answer questions at any general meeting to approve connected transactions or any other transactions that required independent shareholders' approval.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

The external auditor engaged by the Company has attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Share Registrar of the Company would be appointed as the scrutineer at the Company's general meetings to provide the detailed procedures for conducting a poll and to take the vote. The poll results announcement will then be announced in the manner prescribed under the Listing Rules.

To further increase the efficiency of communication as well as to protect the environment, arrangements have been made to ascertain the shareholders' preference as to the means of receiving the Company's corporate communications. For details of such arrangements, please refer to the announcement of the Company dated 22 December 2016.

CONSTITUTIONAL DOCUMENTS

During the year, there were no changes in the constitutional documents of the Company, a copy of which has been uploaded to the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The Company has developed and adopted its Dividend Policy. The policy specifies that the Board will declare reasonable dividend to shareholders on a semi-annual basis or as of any date in consideration of the Group's financial performance, shareholders' interests, business strategy, reserves of the Company, taxation, compliance and other factors. The payment of dividends is subject to the approval by the Board and/or shareholders, and the amount of dividends to be paid shall not exceed the amount recommended by the Board.

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to convene an EGM:

- An annual general meeting of the Company ("AGM") shall be held in each year.
- Each general meeting, other than AGM, shall be called an extraordinary general meeting ("EGM").
- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
- The requisition signed by the requisitionist(s) shall set out the matters for consideration at the meeting to be called. It shall be deposited at the principal office of the company located at Suite 908, 9/F., Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

SHAREHOLDERS' RIGHTS *(Continued)*

1. Procedures for Shareholders to convene an EGM: *(Continued)*

- In case of joint holdings, it would be sufficient if only one of the joint holders has signed the requisition.
- The requisition may consist of several documents in like form, each signed by one or more requisitionist(s).
- The requisition will be verified with the Company's Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.
- The EGM shall be held within two (2) months after the deposit of such requisition.
- If within twenty-one (21) days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. Procedures for Shareholders to make proposals at AGM:

There are no provisions allowing shareholders to make proposals or move resolutions at the AGM under the memorandum and articles of association of the Company or the companies laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may convene an EGM.

3. Procedures for Shareholders to send enquiries to the Board:

Shareholders may send their enquiries to the Board by addressing them to the Company Secretary. The Company Secretary will forward the enquiries to the Board.

The contact details of the Company Secretary are as follows:

Address	:	Suite 908, 9/F Tower Two, Lippo Centre 89 Queensway, Hong Kong
Email	:	info@huayitencent.com
Tel	:	3690 2050
Fax	:	3690 2059

By Order of the Board

WANG Zhongjun
Chairman

Hong Kong, 26 March 2020

BOARD OF DIRECTORS

Mr. WANG Zhongjun

Director since 2016
Chairman, Chief Executive Officer and Executive Director
Mr. WANG Zhongjun, aged 59, currently serves as Chairman of the Board, Chief Executive Officer and Executive Director of the Company. He is the Chairman of Nomination Committee, Corporate Governance Committee, Executive Committee and Strategy Committee as well as a member of Remuneration Committee. He received a Master of Mass Media from the State University of New York, USA. Mr. WANG Zhongjun had worked as a press-photographer for the Press of China Administration of Goods and Materials, a manager of the advertising department of China Yongle Cultural Development Co., Ltd., the general manager of Beijing Huayi Brothers Advertising Co., Ltd., and the chairman of Beijing Huayi Brothers Film Investment Co., Ltd. He has been serving as the chairman and director of Huayi Brothers Media Corporation (SZSE: 300027), a substantial shareholder of the Company and a company listed on the Shenzhen Stock Exchange. Mr. WANG Zhongjun is the brother of Mr. WANG Zhonglei.

Mr. CHENG Wu

Director since 2018
Vice Chairman and Executive Director
Mr. CHENG Wu, aged 45, currently serves as Vice Chairman of the Board and Executive Director of the Company. He is a member of Executive Committee and Strategy Committee. Mr. CHENG joined Tencent Holdings Limited (Stock Code: 700) ("Tencent"), a substantial shareholder of the Company and a company listed on the Main Board of the Hong Kong Stock Exchange, in 2009. He has been fully responsible for strategic planning and day-to-day operation of Tencent Pictures, Tencent Animation & Comic and Tencent Esports. In additional, he has been responsible for the marketing and PR for Tencent Group and leading the marketing departments of Tencent Interactive Entertainment Group ("IEG").

In 2011, Mr. CHENG initiated the "Pan-Entertainment Strategy" (Internet enabled trans-media strategy). Due to his visionary leadership, Tencent has gradually been able to launch its comics, literature, film & television, and e-sports, which, together with online games, have formed a more solid portfolio of the "Pan-Entertainment" businesses, thus leading the industry in their respective areas of business currently.

In September 2015, Tencent Pictures was founded. Mr. CHENG has been appointed as the chief executive officer of Tencent Pictures.

BOARD OF DIRECTORS *(Continued)*

Mr. CHENG Wu *(Continued)*

In April 2018, Mr. CHENG further put forward the new strategic idea of "Neo-Culture Creativity" on the basis of the "Pan-Entertainment Strategy", which is devoted to promoting the mutual empowerment of cultural value and industry value through a broader connection to create more Chinese cultural symbols.

Mr. CHENG graduated from the Tsinghua University with a Bachelor of Science degree in Physics. He also gained an EMBA from the Olin School of Business at Washington University. As a former team leader of the Drama Group of the Tsinghua University Arts Troupe, he believes that a perfect integration of science and art can create the best value.

Mr. CHENG is currently the vice president of Tencent.

Mr. WANG Zhonglei

Director since 2016
Executive Director
Mr. WANG Zhonglei, aged 49, currently serves as Executive Director and director of several subsidiaries of the Company. He received a college degree from Beijing Youth Politics College. Mr. WANG Zhonglei had served for China Mechanical and Electrical Equipment Corporation, and worked as the chief executive officer of Beijing Huayi Exhibition & Advertising Company, the vice-general manager of Beijing Huayi Brothers Advertising Co., Ltd. and the general manager of Beijing Huayi Brothers Film Investment Co., Ltd. He has been serving as the vice-chairman and general manager of Huayi Brothers Media Corporation (SZSE: 300027), a substantial shareholder of the Company and a company listed on the Shenzhen Stock Exchange; a non-executive director of Guru Online (Holdings) Limited (Stock Code: 8121), a company listed on the GEM Board of the Hong Kong Stock Exchange; a director of Huayi Brothers International Limited, a wholly-owned subsidiary of Huayi Brothers Media Corporation, and a director of Huayi Brothers Korea Co., Ltd. (KOSDAQ: 204630), a company listed on the Korea Exchange. Mr. WANG Zhonglei is the brother of Mr. WANG Zhongjun.

BOARD OF DIRECTORS *(Continued)*

Mr. HU Junyi

Director since 2018
Executive Director
Mr. HU Junyi, aged 30, currently serves as Executive Director of the Company and an International Business Development Director of Huayi Tencent Entertainment International Limited, a wholly-owned subsidiary of the Company. He holds a Bachelor of Arts from Communication University of China and an MBA degree from the Hong Kong University of Science and Technology. He is currently serving as the general manager of Huayi Brothers International Limited, a wholly-owned subsidiary of Huayi Brothers Media Corporation (SZSE: 300027), a substantial shareholder of the Company and a company listed on the Shenzhen Stock Exchange; and a director of Huayi Brothers Korea Co., Ltd (KOSDAQ: 204630), a company listed on the Korea Exchange. Before joining Huayi Brothers Media Corporation, he served in the Ministry of Foreign Affairs of the PRC.

Mr. HU is currently an employee of Huayi Brothers International Limited and Huayi Brothers Media Corporation.

Mr. YUEN Hoi Po

Director since 2010
Executive Director
Mr. YUEN Hoi Po, aged 57, currently serves as Executive Director of the Company. Mr. YUEN is the sole member and the sole director of Smart Concept Enterprise Limited which is a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance and a director of several subsidiaries of the Company. Mr. YUEN has acquired extensive experiences in the commercial sector when he engaged in businesses, including trading, real estates, tourism and services, since 1990. Mr. YUEN is currently an independent non-executive director of Man Sang International Limited (Stock Code: 938), a company listed on The Stock Exchange of Hong Kong Limited.

BOARD OF DIRECTORS *(Continued)*

Dr. WONG Yau Kar, David, *GBS, J.P.*

Director since 2000
Independent Non-Executive Director
Dr. WONG Yau Kar, David, GBS, JP, aged 62, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee. Dr. Wong received a doctorate in Economics from the University of Chicago in 1987. Dr. Wong has extensive experience in manufacturing, direct investment and international trade. Dr. Wong is active in public service. He is a Hong Kong deputy of the 13th National People's Congress of the People's Republic of China (第十三屆全國人民代表大會). He is the Chairman of Mandatory Provident Fund Schemes Authority. Dr. Wong was appointed a Justice of Peace (JP) in 2010 and was awarded a Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region in 2017 for his valuable contribution to the society.

Dr. WONG is currently an independent non-executive director of Redco Properties Group Limited (Stock Code: 1622), Guangnan (Holdings) Limited (Stock Code: 1203), Shenzhen Investment Limited (Stock Code: 604), Sinopec Kantons Holdings Limited (Stock Code: 934) and CSSC (Hong Kong) Shipping Company Limited (Stock Code: 3877), the shares of which are listed on The Stock Exchange of Hong Kong Limited. He resigned as an independent non-executive director of Yunfeng Financial Group Limited (Stock Code: 376) and Concord New Energy Group Limited (Stock Code: 182), the companies listed on The Stock Exchange of Hong Kong Limited, in November 2017 and June 2018 respectively.

Mr. YUEN Kin

Director since 2004
Independent Non-Executive Director
Mr. YUEN Kin, aged 65, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Audit Committee of the Company and a member of Remuneration Committee and Corporate Governance Committee. Mr. YUEN holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. YUEN is currently an independent non-executive director of Lafe Corporation Limited (SGX: AYB), a company listed on The Singapore Stock Exchange and an independent non-executive director of Emerson Radio Corporation (NYSEMKT: MSN), a company listed on The New York Stock Exchange. He is also an executive director of Culturecom Holdings Limited (Stock Code: 343), a company listed on The Stock Exchange of Hong Kong Limited. He had served as a non-executive director of Kong Sun Holdings Limited (Stock code: 295), a company listed on The Stock Exchange of Hong Kong Limited, and resigned in November 2017.

BOARD OF DIRECTORS *(Continued)*

Mr. CHU Yuguo

Director since 2012
Independent Non-Executive Director
Mr. CHU Yuguo, aged 54, currently serves as Independent Non-executive Director of the Company. He is a member of Audit Committee, Nomination Committee and Corporate Governance Committee. Mr. CHU is a PhD fellowship of Peking University. He was a lecturer of the Department of Computer Science & Technology of Peking University, deputy head and head of office of admission of Peking University Office of Educational Administration, head of asset management office of Peking University, and the chairman and general manager of Peking University Science Park. He is the chairman of Beijing Jade Bird Education & Technology Development Co., Ltd.

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond

Mr. HAU Wai Man, Raymond, aged 45, is the Chief Financial Officer, Qualified Accountant, Company Secretary and director of several subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants (ACCA), a member of Hong Kong Institute of Certified Public Accountants (HKICPA) and a Chartered Financial Analyst (CFA) Charterholder. He holds an MBA degree from The Hong Kong University of Science and Technology (HKUST), and has over 10 years of experience in international accounting firms and corporates in Hong Kong and the PRC before joining the Company in 2006.

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in (i) entertainment and media business; and (ii) provision of offline healthcare and wellness services. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2019 are set out in Note 35 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 19 of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 55 of this Annual Report.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2019.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 142 of this Annual Report.

DONATIONS

No donation was made by the Group during the year (2018: nil).

SHARE ISSUED IN THE YEAR

Details of the shares of the Company issued in the year ended 31 December 2019 are set out in Note 26 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Mr. WANG Zhongjun (Chairman & CEO)[1]
Mr. CHENG Wu (Vice Chairman)[1]
Mr. WANG Zhonglei[1]
Mr. HU Junyi[1]
Mr. YUEN Hoi Po[1]
Dr. WONG Yau Kar, David, *GBS, JP* [2]
Mr. YUEN Kin[2]
Mr. CHU Yuguo[2]
Mr. LIN Haifeng[1, 3]

1. Executive Director
2. Independent Non-executive Director
3. Mr. LIN Haifeng resigned on 28 October 2019. Mr. LIN has confirmed that he does not have any disagreement with the Board and that he is not aware of any matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

In accordance with Article 87(1) of the Company's Articles of Association, Mr. WANG Zhonglei, Dr. WONG Yau Kar, David and Mr. YUEN Kin shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offers themselves for re-election.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company will publish an ESG Report in accordance with Rule 13.91 and the ESG Reporting Guide contained in Appendix 27 to the Listing Rules no later than 3 months from the publication of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management as at the date of this report are set out on pages 34 to 38 of this Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST-PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year are set out in Notes 12 and 34(a) to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme

The share option scheme of the Company was adopted on 4 June 2012 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide appropriate incentives or rewards to eligible participants for their contributions or potential contributions to the Group and to promote the success of the business of the Group. The eligible participants of the Share Option Scheme include (but are not limited to) directors of the Group, employees of the Group, suppliers of goods or services to the Group, customers of the Group, and shareholders of any member of the Group. The Share Option Scheme became effective on the adoption date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other share option schemes must not in aggregate exceed 10% of the aggregate of the shares in issue as at the adoption/refreshment date.

The maximum number of shares issuable under share options to each eligible participant under the Share Option Scheme and any other schemes of the Group in any 12-month period, is limited to 1% of the issued shares of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meetings.

Each grant of options to a participant who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who or whose associate is the proposed grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders in general meetings.

A participant shall pay the Company HK$1.00 for the acceptance of an option offer within 21 days after the offer date. The option price will be determined by the board at its absolute discretion and notified to option-holders. The minimum option price shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

During the year, no share options were granted, exercised, cancelled or lapsed, and there were no outstanding options under the Share Option Scheme as at 1 January 2019 and 31 December 2019. As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 1,349,810,657 which represents approximately 10% of the total issued shares of the Company.

COMPETING BUSINESS

During the year, none of the Directors had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2019, calculated under the Companies Law of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$603,739,000 (2018: HK$631,439,000), representing the share premium of HK$1,213,484,000 (2018: HK$1,213,484,000) less the accumulated losses of HK$609,745,000 (2018: HK$582,045,000). The Company may make distributions to its members out of the share premium in certain circumstances subject to the Articles of Association of the Company.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

For the year ended 31 December 2019, the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30%. Information in respect of the Group's major suppliers is as follows:

– The percentage of purchases attributable to the largest supplier	32%
– The percentage of purchases attributable to the five largest suppliers combined	44%

None of the Directors, their close associates or any shareholder (who to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in these major suppliers.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in Note 2(w) to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There is no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, and a controlling shareholder or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2019, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Capacity	Number of shares held: Personal interest	Corporate interest	Total	% of total issued share capital of the Company (Note 1)
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation	139,000,000	1,938,030,107 (Note 2)	2,077,030,107	15.39
CHU Yuguo	Beneficial owner	2,000,000	–	2,000,000	0.01

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 31 December 2019.

2. Mr. YUEN Hoi Po was deemed to be interested in 1,938,030,107 shares of the Company held by his wholly-owned corporation namely, Smart Concept Enterprise Limited.

Save as disclosed above, as at 31 December 2019, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed under the sections headed "Shares Option Schemes" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year was the Company or a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company is a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporation.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Shareholders	Capacity	Nature of Interests	Number of shares held	% of total issued share capital of the Company (Note 1)
Huayi Brothers Media Corporation	Interest of a controlled corporation (Note 2)	Corporation interest	2,452,447,978	18.17
Huayi Brothers International Limited	Beneficial owner	Beneficial interest	2,452,447,978	18.17
Tencent Holdings Limited	Interest of a controlled corporation (Note 3)	Corporation interest	2,116,251,467	15.68
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation (Note 4)	Beneficial and corporation interest	2,077,030,017	15.39
Smart Concept Enterprise Limited	Beneficial owner	Beneficial interest	1,938,030,017	14.36

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 31 December 2019.
2. Huayi Brothers International Limited is a wholly-owned subsidiary of Huayi Brothers Media Corporation and is beneficially interested in 2,452,447,978 shares of the Company.
3. Mount Qinling Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited and is beneficially interested in 2,116,251,467 shares of the Company.
4. Mr. YUEN Hoi Po was deemed to be interested in 1,938,030,017 shares of the Company held by his wholly-owned corporation, namely Smart Concept Enterprise Limited.

Save as disclosed above, as at 31 December 2019, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTION

The following is a summary of transaction entered into by the Group in 2019 which constituted a Connected Transaction for the Company under the Listing Rules. For details of the transaction, please refer to the relevant announcement which are available on the websites of the Company and the Stock Exchange.

Cooperation Framework Agreement with Huayi Brothers International Limited

On 2 May 2019, the Company entered into the cooperation framework agreement ("Cooperation Framework Agreement") with Huayi Brothers International Limited ("HBI") in respect of the collaboration between the Group and HBI, and together with a holding company, a subsidiary or a 30%-controlled company of it, or a subsidiary or a 30%-controlled company of a holding company of HBI ("Huayi Brothers Group"), in Investment Projects (as defined below) and engagement of the Huayi Brothers Group for Distribution Projects (as defined below) for a term from 2 May 2019 to 31 December 2021 (both dates inclusive).

Investment Projects involve investment in and acquisition of distribution rights of films, television dramas, television programs, internet dramas and programs, musical projects and copyrights, and other media and entertainment-related projects ("Media and Entertainment Projects") in any countries, districts or areas, whereby Huayi Brothers Group will provide to the Group (i) the services of production, post-production work and/or distribution and/or (ii) the services of an intermediary in introducing and liaising with the third party production companies and procuring the business opportunities for such Media and Entertainment Projects.

Distribution Projects involve distribution of Media and Entertainment Projects which the Group owns or has acquired the distribution rights in the PRC.

HBI is a substantial shareholder of the Company and therefore is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual cap on investment amount to be invested by the Group in the Investment Projects for 8 months ended 31 December 2019 was HK$162,000,000. The annual cap on consideration amount for the agreements in respect of the Distribution Projects was RMB165,000,000 for the 8 months ended 31 December 2019.

For details of the continuing connected transaction under the Cooperative Framework Agreement, please refer to the announcement of the Company dated 2 May 2019 and the circular of the Company dated 4 June 2019.

CONNECTED TRANSACTION *(Continued)*

Cooperation Framework Agreement with Huayi Brothers International Limited *(Continued)*

Pursuant to Rule 14A.55 of the Listing Rules, all Independent Non-executive Directors have reviewed the continuing connected transactions under the Cooperative Framework Agreement carried out during the year ended 31 December 2019 and confirmed that such continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the Cooperation Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PwC, the auditor of the Company, has provided a letter to the Board under Rule 14A.56 of the Listing Rules, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the Cooperation Framework Agreement governing the transactions; and

(iv) have exceeded the cap.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the transactions carried out with related parties are set out in Note 31 to the consolidated financial statements.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across different countries/regions. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INDEMNITY OF DIRECTORS

Permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company or its associated companies are currently in force and was in force during the year and at the date of this Annual Report.

The Company has maintained directors and officers liability insurance throughout the year, which provides certain indemnities against liability incurred by directors and officers of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

A separate corporate governance report prepared by the Board on its corporate governance practices is set out on pages 20 to 33 of this Annual Report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

OTHER CHANGES IN DIRECTORS' INFORMATION

Save as disclosed below, no other changes in Directors' information are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of 2019 Interim Report.

1. The remuneration package of each of the Independent Non-executive Directors of the Company was adjusted to HK$240,000 with effect from 1 January 2020.

On behalf of the Board

WANG Zhongjun
Chairman

Hong Kong, 26 March 2020

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF HUAYI TENCENT ENTERTAINMENT COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 141, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment assessment for the interest in an associate.

Key Audit Matters *(Continued)*

Impairment assessment for the interest in an associate	How our audit addressed the Key Audit Matter
Refer to note 16 to the consolidated financial statements. As at 31 December 2019, the carrying amount of the interest in an associate was HK$278,250,000 (2018: HK$275,982,000). Management performed assessment at the end of each reporting period whether there is any indication that interest in an associate may be impaired. The recoverable amount of the interest in an associate is assessed by the value-in-use calculation which is based on future discounted cash flows on a cash generating unit basis. Management has concluded that there was no impairment in respect of the interest in an associate as at 31 December 2019. We focused on the impairment assessment for the interest in the associate due to the significance of the balance, and the significant judgement and assumptions used during the impairment assessment to determine the recoverable amount of the interest in the associate.	We have performed the following procedures in relation to the impairment assessment for the interest in an associate: • We evaluated the appropriateness of the value-in-use calculation methodology adopted by the Group's management with the involvement of our internal valuation experts, and tested the mathematical accuracy of the underlying calculation; • We assessed the reasonableness of key assumptions used in the valuation such as revenue growth rate, terminal growth rate and discount rate of the associate based on our knowledge of the business and industry; • We discussed with management of the Group and the associate to understand the associate's budgeting methods and process; and • We reconciled the data input for the cash flow forecasts to the budgets approved by management of the associate and assessed the reasonableness of these budgets by comparing to historical information and the approved business plan. Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the impairment assessment for the interest in an associate were not unreasonable.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Chun Yu.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

	Notes	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue and film investment income	5	**96,951**	109,168
Interest revenue calculated using the effective interest method	5	**2,375**	–
		99,326	109,168
Cost of sales		**(60,315)**	(70,954)
Gross profit		**39,011**	38,214
Other income and other gains/(losses), net	5	**936**	(3,887)
Marketing and selling expenses		**–**	(296)
Administrative expenses		**(72,265)**	(99,111)
		(32,318)	(65,080)
Finance costs, net	7	**(601)**	(11)
Share of results of an associate	16	**4,934**	(1,234)
Loss before taxation	8	**(27,985)**	(66,325)
Taxation	9	**(785)**	(130)
Loss for the year from continuing operations		**(28,770)**	(66,455)
Discontinued operation			
Profit for the year from discontinued operation	29	**–**	140,763
(Loss)/profit for the year		**(28,770)**	74,308
Attributable to:			
Equity holders of the Company			
– continuing operations		**(28,770)**	(67,026)
– discontinued operation		**–**	140,763
		(28,770)	73,737
Non-controlling interest			
– continuing operation		**–**	571
		(28,770)	74,308
(Loss)/earnings per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents
Basic and diluted (loss)/earnings per share	10		
– from continuing operations		**(0.21)**	(0.49)
– from discontinued operation		**–**	1.04
		(0.21)	0.55

The notes on pages 62 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year		**(28,770)**	74,308
Other comprehensive income:			
Items that may be subsequently/have been reclassified to profit or loss:			
– Currency translation differences	27	**(6,812)**	(81,055)
Other comprehensive loss for the year, net of tax		**(6,812)**	(81,055)
Total comprehensive loss for the year		**(35,582)**	(6,747)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company			
– continuing operations		**(35,582)**	(82,565)
– discontinued operation		**–**	75,245
Non-controlling interest			
– continuing operation		**–**	573
		(35,582)	(6,747)

The notes on pages 62 to 141 are an integral part of these consolidated financial statements.

	Notes	As at 31 December 2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**3,736**	6,276
Right-of-use assets	14	**20,536**	–
Film rights and films production in progress	15	**252,750**	129,528
Interest in an associate	16	**278,250**	275,982
Financial asset at fair value through profit or loss	18	**4,112**	5,973
Prepayments, deposits and other receivables	21	**739**	16,200
		560,123	433,959
Current assets			
Trade receivables	19	**–**	–
Programmes and films production in progress	20	**75,874**	–
Prepayments, deposits and other receivables	21	**331,899**	84,415
Pledged bank deposits	22	**49,664**	–
Cash and cash equivalents	23	**198,248**	362,490
		655,685	446,905
Total assets		**1,215,808**	880,864
Equity and liabilities			
Equity			
Equity attributable to the equity holders of the Company			
Share capital	26	**269,962**	269,962
Reserves	27	**563,248**	598,830
Total equity		**833,210**	868,792

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	As at 31 December 2019 HK$'000	2018 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	14	**1,916**	–
Deferred income tax liabilities	9	**1,039**	282
		2,955	282
Current liabilities			
Lease liabilities	14	**2,421**	–
Other payables and accrued liabilities	25	**11,540**	11,790
Bank and other borrowings	24	**365,682**	–
		379,643	11,790
Total liabilities		**382,598**	12,072
Total equity and liabilities		**1,215,808**	880,864

The financial statements on pages 55 to 141 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

WANG Zhongjun
Director

CHENG Wu
Director

The notes on pages 62 to 141 are an integral part of these consolidated financial statements.

	Notes	**2019 HK$'000**	2018 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28(a)	**(209,440)**	73,536
Capital gain tax paid		**–**	(3)
Interest paid		**(25)**	–
Net cash (used in)/generated from operating activities		**(209,465)**	73,533
Cash flows from investing activities			
Bank interest received		**5,173**	2,096
Purchases of property, plant and equipment		**(932)**	(3,296)
Proceeds from disposals of subsidiaries, net of cash and cash equivalents disposed of		**56,951**	262,169
Investment in an associate	28(c)	**–**	(91,357)
Net cash generated from investing activities		**61,192**	169,612
Cash flow from financing activities			
Proceeds from bank and other borrowings	28(d)	**368,950**	–
Increase in pledged deposits		**(331,261)**	–
Increase in pledged bank deposits		**(49,664)**	–
Principal elements of lease payments	28(d)	**(558)**	–
Net cash used in financing activities		**(12,533)**	–
Net (decrease)/increase in cash and cash equivalents		**(160,806)**	243,145
Cash and cash equivalents at 1 January		**362,490**	128,626
Currency translation differences		**(3,436)**	(9,281)
Cash and cash equivalents at 31 December		**198,248**	362,490
Analysis of cash and cash equivalents			
Cash and cash equivalents of the Group		**198,248**	362,490
	23	**198,248**	362,490

The notes on pages 62 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company				
	Share capital HK$'000	**Other reserves** HK$'000	**Accumulated losses** HK$'000	**Non-controlling interest** HK$'000	**Total equity** HK$'000
Balance at 1 January 2018	269,962	2,149,120	(1,542,970)	(154)	875,958
Change in accounting policy	–	(56)	56	–	–
Restated as at 1 January 2018	269,962	2,149,064	(1,542,914)	(154)	875,958
Comprehensive income:					
– Profit for the year	–	–	73,737	571	74,308
Other comprehensive income:					
Currency translation differences					
– Group	–	(11,709)	–	2	(11,707)
– Associate (Note 16)	–	(3,830)	–	–	(3,830)
– Recycling upon disposals of subsidiaries (Note 28(b))	–	(65,518)	–	–	(65,518)
Total comprehensive (loss)/income	–	(81,057)	73,737	573	(6,747)
Transaction with owners in their capacity as owners:					
– Disposal of a subsidiary	–	–	–	(419)	(419)
Balance at 31 December 2018	269,962	2,068,007	(1,469,177)	–	868,792

	Attributable to equity holders of the Company			
	Share capital HK$'000	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total equity HK$'000**
Balance at 1 January 2019	**269,962**	**2,068,007**	**(1,469,177)**	**868,792**
Comprehensive income:				
– Loss for the year	**–**	**–**	**(28,770)**	**(28,770)**
Other comprehensive income:				
Currency translation differences				
– Group	**–**	**(5,125)**	**–**	**(5,125)**
– Associate (Note 16)	**–**	**(2,666)**	**–**	**(2,666)**
– Recycling upon deregistration of a subsidiary	**–**	**979**	**–**	**979**
Total comprehensive loss	**–**	**(6,812)**	**(28,770)**	**(35,582)**
Balance at 31 December 2019	**269,962**	**2,061,195**	**(1,497,947)**	**833,210**

The notes on pages 62 to 141 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in (i) entertainment and media business; and (ii) provision of offline healthcare and wellness services.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1.1111, Cayman Islands.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2020.

2 PRINCIPAL ACCOUNTING POLICIES

This note provides a list of the principal accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Huayi Tencent Entertainment Company Limited and its subsidiaries.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at fair values.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Basis of preparation

(i) *New standards, amendments and interpretation adopted by the Group*

The Group has applied the following standards, amendments and interpretation for the first time for their annual reporting period commencing 1 January 2019:

Amendments to Annual Improvements Project	Annual Improvements 2015–2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The impact of the adoption of these standards are disclosed in Note 2(b) below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) *New standards, amendments and conceptual framework not yet adopted by the Group*

A number of new standards and amendments and conceptual framework are effective for annual periods beginning after 1 January 2020 and have not been early adopted by the Group in preparing these consolidated financial statements.

		Effective for annual periods beginning on
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

None of these new standards and amendments and conceptual framework is expected to have a significant effect on the consolidated financial statements of the Group.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Change in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2(a) above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2(x).

Upon the adoption of HKFRS 16, the Group did not recognize lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases due to all these operating leases are either fully prepaid or short-term lease contract.

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) *Measurement of lease liabilities*

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**1,820**
Less: short-term leases not recognized as a liability	**(1,820)**
Lease liability recognized as at 1 January 2019	**–**

(iii) *Measurement of right-of-use assets*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at 31 December 2018.

(iv) *Adjustments recognized in the consolidated balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- right-of-use assets — increase by HK$37,800,000
- prepayments — decrease by HK$37,800,000.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting

(i) *Consolidation*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(ii) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

(iii) *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(iii) *Business combinations* (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(iv) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(iv) *Changes in ownership interests* (Continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(v) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(vi) *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(vii) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations.

Joint operations arise where the investors have joint control and their direct rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets and liabilities. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(viii) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management committee, which comprises the chief executive officer and the chief financial officer of the Group, that makes strategic decisions.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong Limited, the directors consider that it will be more appropriate to adopt Hong Kong dollar ("HK$") as the Group's and the Company's presentation currency. Accordingly, the consolidated financial statements are presented in HK$.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iv) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(e) Property, plant and equipment

Property, plant and equipment, comprising plant, equipment and other assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the consolidated income statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	shorter of 5 years or lease term
Furniture, computer and equipment	3–5 years
Machinery and equipment	3–10 years
Motor vehicles	4–5 years

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the consolidated income statement.

(f) Film rights

(i) *Completed film rights*

Completed film rights comprise amounts paid and payable under agreements for the productions, circulations of films on film-by-film basis.

Completed film rights are stated at cost less accumulated amortization and accumulated impairment losses.

Upon the release of the films, completed film rights are amortized using straight line method over the circulation period.

(ii) *Film rights investments*

Film rights investments are the Group's investments in films production project which entitles the Group to share certain percentage of income to be generated from the related film based on the Group's investment portion as specified in respective film right investment agreements but the Group has no control nor joint control over the investments. Film rights investments are carried at fair value.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Films production in progress

Fees paid in advance under agreements for production of films are accounted for as films production in progress. Films production in progress are recognized when payment was made. Upon receipt of the films, the films production in progress would be transferred to completed film rights and the remaining payable balances will be recorded as a liability, if any. Provision for impairment loss is made against the advance to the extent that film rights will not be received and the advance is not recoverable in the future.

In case where the Group is unable to exercise the rights under an agreement because the film producer fails to complete the film, the Group writes off the difference between the advances made and the estimated recoverable amount from the film producer.

(h) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or non-financial assets not ready to use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(i) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Non-current assets (or disposal groups) held for sale and discontinued operations *(Continued)*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Upon the reclassification of disposal group held for sales, the amortization of intangible assets and depreciation of property, plant and equipment are ceased.

(j) Financial assets

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial assets *(Continued)*

(iii) ***Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into following category:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest revenue, other income and finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement. Dividends from such investments continue to be recognized in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in "other income and other gains/(losses)" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial assets *(Continued)*

(iv) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other financial assets at amortized cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of group entities or counterparty.

(l) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

See Note 19 for further information about the Group's accounting for trade receivables and Note 2(j)(iv) for a description of the group's impairment policies.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits held at call with banks.

(n) Share capital

Ordinary shares and preference shares are classified as equity.

Preference shares are classified as equity as there is no contractual right to convert the preference shares to any outflow of liability on the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(p) Other payables

Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to item recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Current and deferred income tax *(Continued)*

(ii) ***Deferred income tax***

Inside basis difference

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Current and deferred income tax *(Continued)*

(iii) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of goods or services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the control of goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifies of each arrangement.

(i) Revenue from film exhibition is recognized when the film is shown and the right to receive payment is established and reported under "Entertainment and Media" segment.

(ii) Food and beverage income and club activities income are accounted for when the services are rendered. Members' annual fees and membership entrance fees are recognized on an agreed calculation basis pursuant to the club lease agreement that the Group and the lessor entered into. Such food and beverage income and club activities income are reported under "Offline Healthcare and Wellness Services" segment.

(iii) Sales of goods are recognized when a group entity has delivered products to the customer, the customer has full discretion over channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Interest income and interest revenue

Interest income is recognized on a time proportion basis using the effective interest method.

Interest revenue from programmes and films production in progress is recognized on a time proportion basis using the effective interest method and reported under "Entertainment and Media" segment.

(v) Dividend income

Dividend income is recognized when the right to receive payment is established.

(w) Employee benefits

(i) *Retirement benefit costs*

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they became payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

The Company's subsidiaries in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement benefits scheme contributions, which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

For both retirement benefits schemes, the Group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payment is available.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees without possibility of withdrawal. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iii) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave, maternity and other non-accumulating compensated absences are not recognized until the time of leave.

(x) Operating leases

As explained in Note 2(b) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2(b).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Operating leases *(Continued)*

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, such as term, country, currency and security.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Operating leases *(Continued)*

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

3 FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) *Cash flow and fair value interest rate risk*

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for financial assets and liabilities that represent the major floating interest-bearing positions.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(a) ***Cash flow and fair value interest rate risk*** *(Continued)*

Based on the simulations performed on cash balances placed with banks and bank borrowings carried at floating interest rate, if the interest rate increased/decreased by 60 basis-point with all other variables held constant, loss attributable to the equity holders of the Company for the year ended 31 December 2019 would decrease/increase by HK$1,220,000 (2018: the profit for the year would increase/decrease by HK$2,175,000).

(b) ***Credit risk***

(i) *Risk Management*

Credit risk is managed on a group basis. The carrying amounts of bank balances, trade receivables, deposits and other receivables and programmes and films production in progress represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

In addition, the Group reviews regularly the recoverable amount of deposits and other receivable and programme and films production in progress to ensure that adequate impairment losses are made for irrecoverable amounts.

For banks and financial institutions, only rated parties with a minimum rating of 'A' are accepted.

Other than concentration of credit risk on bank balances, which are deposited with several banks with good credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

(ii) *Impairment of financial assets*

Trade receivables for sales of goods of the Group and from the provision of services are subject to the expected credit loss model. While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

(ii) *Impairment of financial assets (Continued)*

Other financial assets at amortized cost

All of the entity's other financial assets at amortized cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information including changes in the payment status and operating results of the debtors and macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

The trade receivables, programmes and films production in progress and other receivables relating to customers or debtors which are in known financial difficulties or with significant doubt on collection of receivables are identified and assessed individually for provision for impairment allowance. For the year ended 31 December 2019 and 2018, the credit loss of these individually assessed receivables was as follows:

	2019	2018
	HK$'000	HK$'000
Trade receivables	**–**	8,373
Programmes and films production in progress (Note (a))	**333**	(1,168)
Other receivables	**–**	3,725

Note (a): The amount of approximately HK$1,168,000 represented the reversal of provision for impairment of certain long-outstanding programmes and films production in progress upon collection of such receipts.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(c) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and net monetary assets and liabilities are denominated in Renminbi ("RMB"), South Korean Won ("KRW") and United States Dollars ("US$") that is not the functional currency of the relevant group entity.

The Group has not used any forward contracts, currency borrowings and other means to hedge its foreign currency exposure but manages through constant monitoring to limit as much as possible its net exposure.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would increase/decrease by HK$2,540,000 (2018: the profit for the year would decrease/increase HK$3,509,000), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalent and other receivables denominated in RMB and recorded in group entities with functional currency in HK$.

As at 31 December 2019, if KRW had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would decrease/increase by HK$247,000 (2018: the profit for the year would decrease/increase HK$237,000), mainly as a result of foreign exchange gains/losses on translation of financial asset at fair value through profit or loss and share of results of an associate denominated in KRW and recorded in group entities with functional currency in HK$.

In respect of US$, the Group considers that minimal risk arises as the rate of exchange between HK$ and US$ is controlled within a tight range under the Hong Kong's Linked Exchange Rate System.

(d) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and bank balances.

Due to the dynamic nature of the Group's underlying businesses, the Group monitors the current and expected liquidity requirements and maintains flexibility in funding by maintaining sufficient cash and cash equivalent to meet operational needs and possible investment opportunities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(d) *Liquidity risk* (Continued)

The table below analyzed the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within twelve months equaled their carrying balances, as the impact of discounting was not significant.

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019						
Other payables and accrued liabilities	**–**	**7,971**	**–**	**–**	**–**	**7,971**
Bank and other borrowings	**44,653**	**323,803**	**–**	**–**	**–**	**368,456**
Lease liabilities	**–**	**2,527**	**1,942**	**–**	**–**	**4,469**
Total	**44,653**	**334,301**	**1,942**	**–**	**–**	**380,896**
At 31 December 2018						
Other payables and accrued liabilities	–	8,709	–	–	–	8,709

Maturity Analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total outflows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019	**46,547**	**–**	**–**	**–**	**46,547**
At 31 December 2018	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits. The gearing ratio was as follows:

	2019	2018
	HK$'000	HK$'000
Total borrowings (Note 24)	**365,682**	–
Total lease liabilities (Note 14)	**4,337**	–
Less: cash and cash equivalents (Note 23)	**(198,248)**	(362,490)
Pledged bank deposits (Note 22)	**(49,664)**	–
Net debt/(surplus)	**122,107**	(362,490)
Total equity	**833,210**	868,792
Gearing ratio	**15%**	N/A

(iii) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 December 2019				
Financial asset at fair value through profit or loss				
– Huayi-Warner Contents Fund (Note 18)	**–**	**–**	**4,112**	**4,112**
Film rights and films production in progress				
– Film rights investments (Note 15)	**–**	**–**	**16,745**	**16,745**
	–	**–**	**20,857**	**20,857**
At 31 December 2018				
Financial asset at fair value through profit or loss				
– Huayi-Warner Contents Fund (Note 18)	–	–	5,973	5,973
	–	–	5,973	5,973

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer.

There were no transfers between levels 1, 2 and 3, and no change in valuation techniques during the year (2018: same).

Specific valuation techniques used to value level 3 financial instrument include techniques such as discounted cash flow analysis.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2018 and 2019:

	Financial assets at fair value through profit or loss — Convertible preference stock HK$'000	Financial assets at fair value through profit or loss — Huayi-Warner Contents Fund (Note (i)) HK$'000	Total HK$'000
As at 1 January 2018	–	–	–
Effect on adoption of HKFRS 9	11,929	7,042	18,971
Restated as at 1 January 2018	11,929	7,042	18,971
Conversion (Note 28(c))	(12,070)	–	(12,070)
Fair value loss through profit or loss (Note a)	–	(746)	(746)
Exchange realignment (Note a)	141	(323)	(182)
As at 31 December 2018	–	5,973	5,973

	Financial assets at fair value through profit or loss —Huayi-Warner Contents Fund (Note (i)) HK$'000	**Film rights and films production in progress —Film rights investments (Note (ii)) HK$'000**	**Total HK$'000**
As at 1 January 2019	**5,973**	**–**	**5,973**
Addition	**–**	**16,930**	**16,930**
Fair value loss through profit or loss (Note a)	**(1,657)**	**–**	**(1,657)**
Exchange realignment (Note a)	**(204)**	**(185)**	**(389)**
As at 31 December 2019	**4,112**	**16,745**	**20,857**

Note a: During the year ended 31 December 2019, net fair value loss of HK$1,861,000 (2018: HK$928,000) and HK$185,000 (2018: nil) was recognized in the consolidated income statement and other comprehensive income, respectively.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

Quantitative information about fair value measurements using significant unobservable inputs (Level 3):

i. ***Financial asset at fair value through profit or loss – Huayi-Warner Contents Fund***

The Group has determined that the audited net asset value approximates fair value of the unlisted investment fund as at 31 December 2019.

ii. ***Film rights and films production in progress – Film rights investments***

For film rights investments, the fair value is determined by using valuation techniques and is within level 3 of the fair value hierarchy such as the discounted cash flows method. The Group's film rights investments is acquired close to 31 December 2019 and is still in the production stage. As a result, management is of the view that there is no significant change in fair value of the film right investment from date of investment to 31 December 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Income taxes

The Group recognizes income tax liabilities based on estimates of anticipated amounts of taxes that will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Impairment of completed film rights and films production in progress

The Group assesses at the end of each reporting period whether there is any indication for impairment on the completed film rights and films in progress and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(f) and 2(g). Such annual assessment is performed on film-by-film basis at each balance sheet date. The recoverable amounts of completed films right and films production in progress have been determined based on the expected future cash flow forecasts and the films production budget and status respectively. These forecasts require the use of estimates.

For the year ended 31 December 2019, no provision for impairment of completed film rights (2018: HK$2,253,000) and films production in progress was recognized (2018: nil).

(iii) Amortization of completed film rights

At the end of each reporting period, the directors of the Company assessed the amortization policy and the expected circulation period of the completed film rights. The determination of amortization policy and the expected circulation period requires management's significant judgement.

(iv) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(i)(b).

(v) Impairment of prepayments

The Group reviews prepayments for impairment whenever events or changes in circumstances indicate that related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining timing, amount and probability of future economic benefits, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available.

For the year ended 31 December 2019, no provision for impairment of prepayments has been recognized (2018: HK$3,914,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(vi) Impairment of interest in an associate

The Group assesses at the end of each reporting period whether there is any indication for impairment on the interest in an associate and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(c)(vi). The recoverable amount has been determined by value-in-use calculation of present value of expected future cash flows. The calculation requires the use of estimates.

For the year ended 31 December 2019, no provision for impairment of interest in an associate has been recognized (2018: nil).

(vii) Classification of joint arrangements

The Group has entered into joint arrangements to produce and distribute films. The Group has participating interests ranging from 7.5% to 50% (2018: 10%–50%) in these joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's joint arrangements involve the joint control by the venturers of the assets contributed to the joint arrangement and dedicated to the purposes of the joint arrangement. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint arrangements do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Therefore, these arrangements are classified as joint operations of the Group. The determination of the relevant activities under joint operations requires management's significant judgement.

(viii) Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As at 31 December 2019, potential future cash outflows of RMB467 million (equivalent to approximately HK$521 million) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 REVENUE AND FILM INVESTMENT INCOME, INTEREST REVENUE CALCULATED USING THE EFFECTIVE INTEREST METHOD AND OTHER INCOME AND OTHER GAINS/(LOSSES), NET

The Group is principally engaged in (i) entertainment and media business; and (ii) provision of offline healthcare and wellness services. Revenue recognized during the year is as follows:

	2019 **HK$'000**	2018 HK$'000
Revenue		
Entertainment and media		
– Film exhibition	**361**	1,139
– Interest revenue calculated using the effective interest method	**2,375**	–
Offline healthcare and wellness services		
– Club activities income	**50,605**	46,739
– Membership fees	**31,809**	35,398
– Rental income	**–**	10,873
– Food and beverage	**14,176**	15,019
	99,326	109,168
Other income and other gains/(losses), net		
Interest income	**5,173**	2,096
Fair value loss on financial assets at fair value through profit or loss, net	**(1,861)**	(928)
Gain on disposals of subsidiaries	**–**	3,188
Loss on deregistration of a subsidiary	**(979)**	–
Exchange losses, net	**(1,968)**	(8,798)
Miscellaneous	**571**	555
	936	(3,887)

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the management committee which comprises the chief executive officer and the chief financial officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management committee has determined that the Group is organized into two main operating segments from continuing operations: (i) Entertainment and media businesses and (ii) Offline healthcare and wellness services. The management committee measures the performance of the segments based on their respective segment results. The segment results derived from (loss)/profit before taxation, excluding exchange losses, net, finance costs, net, gain on disposals of subsidiaries, loss on deregistration of a subsidiary and unallocated expenses, net. Unallocated expenses, net mainly comprise of corporate income net off with corporate expenses including salary, office rental and other administrative expenses which are not attributable to particular reportable segment.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets which are managed on a group basis. Segment liabilities exclude income tax liabilities and other unallocated head office and corporate liabilities which are managed on a group basis.

There were no sales between the operating segments during the year ended 31 December 2019 (2018: nil).

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment

For the year ended 31 December 2019

	Entertainment and Media HK$'000	Offline Healthcare and Wellness Services HK$'000	Total HK$'000
Revenue and film investment income	361	96,590	96,951
Interest revenue calculated using the effective interest method	2,375	–	2,375
	2,736	96,590	99,326
Share of results of an associate	4,934	–	4,934
Segment results	5,476	(12,132)	(6,656)
Exchange losses, net			(1,968)
Unallocated expenses, net			(17,781)
Loss on deregistration of a subsidiary			(979)
			(27,384)
Finance costs, net			(601)
Loss before taxation			(27,985)
Taxation			(785)
Loss for the year			(28,770)
Non-controlling interest			–
Loss attributable to the equity holders of the Company			(28,770)

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

For the year ended 31 December 2019 *(Continued)*

	Entertainment and Media HK$'000	Offline Healthcare and Wellness Services HK$'000	Total continuing operations HK$'000
Segment assets	**660,650**	**19,259**	**679,909**
Unallocated assets			**535,899**
Total assets			**1,215,808**
Segment liabilities	**45,708**	**5,188**	**50,896**
Unallocated liabilities			**331,702**
Total liabilities			**382,598**
Other information:			
Purchases of property, plant and equipment			
– Allocated	**–**	**916**	**916**
– Unallocated			**16**
Purchase of film rights and films production in progress	**123,321**	**–**	**123,321**
Purchase of programmes and films production in progress	**74,128**	**–**	**74,128**
Depreciation of property, plant and equipment			
– Allocated	**–**	**2,460**	**2,460**
– Unallocated			**908**
Depreciation of right-of-use assets			
– Allocated	**–**	**21,600**	**21,600**
– Unallocated			**559**
Impairment of programmes and films production in progress	**333**	**–**	**333**

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

For the year ended 31 December 2018

	Entertainment and Media HK$'000	Offline Healthcare and Wellness Services HK$'000	Total continuing operations HK$'000	Discontinued operation: Entertainment and Media – Beijing Hao You Media Culture Co., Ltd. ("Hao You") HK$'000	Total HK$'000
Revenue and film investment income	1,139	108,029	109,168	–	109,168
Share of results of an associate	(1,234)	–	(1,234)	–	(1,234)
Segment results	(21,118)	(15,254)	(36,372)	(32)	(36,404)
Exchange losses, net			(8,798)	–	(8,798)
Unallocated expenses, net			(24,332)	–	(24,332)
Gain on disposals of subsidiaries			3,188	140,795	143,983
			(66,314)	140,763	74,449
Finance costs, net			(11)	–	(11)
(Loss)/profit before taxation			(66,325)	140,763	74,438
Taxation			(130)	–	(130)
(Loss)/profit for the year			(66,455)	140,763	74,308
Non-controlling interest			(571)	–	(571)
(Loss)/profit attributable to the equity holders of the Company			(67,026)	140,763	73,737

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

For the year ended 31 December 2018 (Continued)

	Entertainment and Media HK$'000	Offline Healthcare and Wellness Services HK$'000	Total continuing operations HK$'000
Segment assets	411,483	50,505	461,988
Unallocated assets			418,876
Total assets			880,864
Segment liabilities	282	5,847	6,129
Unallocated liabilities			5,943
Total liabilities			12,072
Other information:			
Purchases of property, plant and equipment			
– Allocated	–	2,304	2,304
– Unallocated			992
Purchase of film rights and films production in progress	9,870	–	9,870
Depreciation of property, plant and equipment			
– Allocated	–	1,041	1,041
– Unallocated			2,503
Amortization of completed film rights	1,245	–	1,245
Impairment of completed film rights	2,253	–	2,253
Impairment of trade receivables	8,373	–	8,373
Impairment of prepayment and other receivables	7,639	–	7,639
Reversal of impairment of programmes and films production in progress	(1,168)	–	(1,168)

6 SEGMENT INFORMATION *(Continued)*

(b) Geographical information

The geographical information for the year ended 31 December 2019 and 2018 are as follows:

	Revenue from external customers		Non-current assets [Note]	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**97,744**	108,029	**48,233**	31,685
Hong Kong	**–**	–	**4,353**	571
Other countries	**1,582**	1,139	**224,436**	119,748
	99,326	109,168	**277,022**	152,004

Note: Non-current assets exclude interest in an associate, financial asset at fair value through profit or loss, and non-current portion of deposits and other receivables. The portion of film rights and films production in progress subject to global circulation is included in other countries.

7 FINANCE COSTS, NET

	2019	2018
	HK$'000	HK$'000
Finance cost		
Imputed finance cost on discounting pledged deposits paid	**(6,148)**	–
Imputed finance cost on unwinding of discounted other borrowings	**(3,313)**	–
Imputed finance cost on unwinding of discounted non-current rental deposits received	**–**	(54)
Interest on bank borrowings	**(546)**	–
Interest on lease liabilities	**(25)**	–
	(10,032)	(54)
Finance income		
Imputed finance income on discounting other borrowings	**6,086**	–
Imputed finance income on unwinding of discounted pledged deposits paid	**3,345**	–
Imputed finance income on unwinding of discounted non-current rental deposits paid	**–**	43
	9,431	43
Finance costs, net	**(601)**	(11)

8 LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	2019 **HK$'000**	2018 HK$'000
Depreciation of property, plant and equipment (Note 13)	**3,368**	3,544
Amortization of completed film rights (Note 15)	**–**	1,245
Depreciation of right-of-use assets (Note 14)	**22,159**	–
Auditor's remuneration		
– Audit services	**2,100**	2,070
– Non-audit services	**1,535**	1,738
Operating lease rentals	**1,773**	33,012
Provision for/(reversal of) impairment of		
– Completed film rights (Note 15)	**–**	2,253
– Trade receivables (Note 19)	**–**	8,373
– Prepayments and other receivables (Note 21)	**–**	7,639
– Programmes and films production in progress (Note 20)	**333**	(1,168)
Loss on disposal of property, plant and equipment (Note 13)	**–**	9
Food and beverage costs in relation to "Bayhood No. 9 Club" operation	**7,174**	7,054
Labour costs in relation to "Bayhood No. 9 Club" operation	**41,039**	39,711
Employee benefit expense:		
Directors' fees	***600***	*600*
Wages and salaries	***13,430***	*15,334*
Contributions to defined contribution pension schemes	***1,581***	*1,770*
	15,611	17,704

9 TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the year (2018: same). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

	2019 **HK$'000**	2018 HK$'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC corporate income tax	**–**	–
Deferred income tax	**785**	130
Income tax expense	**785**	130

9 TAXATION *(Continued)*

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic tax rates applicable to the profit or loss before taxation of the consolidated entities in the respective countries as follows:

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(27,985)**	(66,325)
Tax calculated at domestic tax rates applicable to the profit or loss in respective countries	**(5,741)**	(13,020)
Tax effects of an associate, results reported net of tax	**(814)**	271
Income not subject to tax	**(2,617)**	(1,820)
Expenses not deductible for tax purposes	**9,698**	14,786
Utilization of previously unrecognized tax losses	**–**	(87)
Tax losses not recognized	**259**	–
Income tax expense	**785**	130

The weighted average applicable tax rate was 20.51% (2018: 19.63%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned/losses incurred.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019 HK$'000	2018 HK$'000
Deferred income tax assets to be recovered after more than 12 months	**–**	–
Deferred income tax liabilities to be recovered after more than 12 months	**(1,039)**	(282)
Deferred income tax liabilities, net	**(1,039)**	(282)

The movement on the deferred income tax account is as follows:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**(282)**	838
Charged to the consolidated income statement	**(785)**	(130)
Disposal of a subsidiary	**–**	(1,026)
Exchange difference	**28**	36
At the end of the year	**(1,039)**	(282)

9 TAXATION *(Continued)*

The movement in gross deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Amortization of operating lease HK$'000
At 1 January 2018	2,476
Credited to the consolidated income statement	41
Disposal of a subsidiary	(2,573)
Exchange differences	56
At 31 December 2018 and 1 January and 31 December 2019	–

Deferred tax liabilities

	Unremitted earning HK$'000	**Amortization of operating lease** HK$'000	**Total** HK$'000
At 1 January 2018	(253)	(1,385)	(1,638)
Charged to the consolidated income statement	(42)	(129)	(171)
Disposal of a subsidiary	–	1,547	1,547
Exchange differences	13	(33)	(20)
At 31 December 2018 and 1 January 2019	**(282)**	**–**	**(282)**
Charged to the consolidated income statement	**(785)**	**–**	**(785)**
Exchange differences	**28**	**–**	**28**
At 31 December 2019	**(1,039)**	**–**	**(1,039)**

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2019, the Group had unrecognized tax losses of approximately HK$337,542,000 (2018: approximately HK$339,020,000) to carry forward against future taxable income, subject to agreement by the Inland Revenue Department of Hong Kong and local tax bureau of the PRC. The decrease of unrecognized tax losses was mainly attributable to deregistration of a subsidiary and the lapse of certain tax losses of the PRC subsidiary during the year ended 31 December 2019. No deferred taxation has been recognized in respect of the tax losses due to unpredictability of future profit streams. The tax losses of the PRC subsidiaries have an expiry period of five years, while the tax losses of Hong Kong subsidiaries have no expiry date.

9 TAXATION *(Continued)*

Deferred tax liabilities *(Continued)*

The Group did not recognize deferred income tax assets of approximately HK$743,000 (2018: approximately HK$1,112,000) in respect of tax losses of approximately HK$2,971,000 (2018: approximately HK$4,449,000) that will expire in five years from the year incurred. The remaining tax losses of approximately HK$334,571,000 (2018: approximately HK$334,571,000) can be carried forward indefinitely to offset against future taxable income.

10 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted (loss)/earnings per share for the years ended 31 December 2019 and 2018 were the same as basic (loss)/earnings per share as the Company had no potentially dilutive ordinary shares in issue during these years.

	2019	2018
Weighted average number of ordinary shares in issue (thousands)	**13,498,107**	13,498,107
Loss from continuing operations attributable to equity holders of the Company (HK$'000)	**(28,770)**	(67,026)
Basic and diluted loss per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**(0.21)**	(0.49)
Profit from discontinued operation attributable to equity holders of the Company (HK$'000)	**–**	140,763
Basic and diluted earnings per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	**–**	1.04
(Loss)/earnings per share attributable to the equity holders of the Company (HK cents per share)	**(0.21)**	0.55

11 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

12 EMPLOYEE BENEFIT EXPENSE

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include no (2018: nil) director whose emoluments are reflected in the analysis shown in Note 34(a). The emoluments payable to the five (2018: five) individuals during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, bonuses, allowances and benefits in kind	**5,649**	6,901
Contributions to defined contribution pension schemes	**186**	202
	5,835	7,103

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$500,001 – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	5	5

13 PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery and equipment	Furniture, computer and equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2018						
Opening net book amount	–	1,287	1,282	2,685	1,805	7,059
Additions	937	647	288	–	1,424	3,296
Disposals	–	–	(9)	–	–	(9)
Disposal of a subsidiary (Note 28(b))	–	–	–	(298)	–	(298)
Depreciation	(482)	(372)	(336)	(1,862)	(492)	(3,544)
Exchange differences	(10)	(66)	(63)	16	(105)	(228)
Closing net book amount	445	1,496	1,162	541	2,632	6,276
At 31 December 2018						
Cost	917	2,034	2,968	2,568	5,007	13,494
Accumulated depreciation	(472)	(538)	(1,806)	(2,027)	(2,375)	(7,218)
Net book amount	445	1,496	1,162	541	2,632	6,276
Year ended 31 December 2019						
Opening net book amount	**445**	**1,496**	**1,162**	**541**	**2,632**	**6,276**
Additions	**–**	**281**	**423**	**–**	**228**	**932**
Depreciation	**(224)**	**(791)**	**(597)**	**(541)**	**(1,215)**	**(3,368)**
Exchange differences	**(7)**	**(26)**	**(25)**	**–**	**(46)**	**(104)**
Closing net book amount	**214**	**960**	**963**	**–**	**1,599**	**3,736**
At 31 December 2019						
Cost	**896**	**2,268**	**3,307**	**1,945**	**5,124**	**13,540**
Accumulated depreciation	**(682)**	**(1,308)**	**(2,344)**	**(1,945)**	**(3,525)**	**(9,804)**
Net book amount	**214**	**960**	**963**	**–**	**1,599**	**3,736**

Depreciation expenses of approximately HK$3,368,000 (2018: approximately HK$3,544,000) have been charged in administrative expenses.

14 LEASES

(i) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2019 HK$'000	1 January 2019* HK$'000
Right-of-use assets		
Office	**4,336**	–
Operating assets of "Bayhood No. 9 Club"	**16,200**	37,800
	20,536	37,800
Lease liabilities		
Current	**2,421**	–
Non-current	**1,916**	–
	4,337	–

* For adjustment recognized upon the adoption of HKFRS 16 on 1 January 2019, please refer to Note 2(b).

Additions to the right-of-use assets during the year ended 31 December 2019 were HK$4,895,000.

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Notes	**2019 HK$'000**	2018 HK$'000
Depreciation charge of right-of-use assets			
Office		**559**	–
Operating assets of "Bayhood No. 9 Club"		**21,600**	–
	8	**22,159**	–
Interest expense (included in finance costs)	7	**25**	–
Expense relating to short-term leases (included in administrative expenses)	8	**1,773**	–

The total cash outflow for leases in 2019 was HK$2,356,000.

14 LEASES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and certain operating assets of "Bayhood No. 9 Club". Rental contracts are generally made for fixed periods of 2 to 5 years, but may have extension options as described in Note 14(iv) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(iv) Extension and termination options

Extension and termination options are included in the lease held by the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

15 FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	2019 HK$'000	2018 HK$'000
Completed film rights (Note a)	**1,149**	1,175
Films production in progress (Note a)	**234,856**	128,353
Film rights investments (Note b)	**16,745**	–
	252,750	129,528

	Completed film rights HK$'000	Films production in progress HK$'000	Total HK$'000
Year ended 31 December 2018			
Opening net book amount	3,498	209,355	212,853
Additions	1,175	8,695	9,870
Return of capital	–	(89,697)	(89,697)
Amortization	(1,245)	–	(1,245)
Impairment	(2,253)	–	(2,253)
Closing net book amount	1,175	128,353	129,528

15 FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS *(Continued)*

	Completed film rights HK$'000	Films production in progress HK$'000	Film rights investments HK$'000	Total HK$'000
Year ended 31 December 2019				
Opening net book amount	**1,175**	**128,353**	**–**	**129,528**
Additions	**–**	**106,391**	**16,930**	**123,321**
Exchange difference	**(26)**	**112**	**(185)**	**(99)**
Closing net book amount	**1,149**	**234,856**	**16,745**	**252,750**

Note (a):

As at 31 December 2019, the total cost of completed film rights amounting to approximately HK$125,910,000 (2018: approximately HK$125,936,000) and accumulated amortization and impairment amounting to approximately HK$124,761,000 (2018: HK$124,761,000).

No amortization of completed film rights has been charged to the cost of sales in the consolidated income statement (2018: approximately HK$1,245,000).

For the year ended 31 December 2019, no impairment of completed film rights has been charged to cost of sales (2018: approximately HK$2,253,000).

The Group has entered into several joint operation arrangements to produce or distribute up to 10 (2018: 7) films. The Group has participating interests ranging from 7.5% to 50% (2018: 10%–50%) in these joint operations. As at 31 December 2019, the aggregate amounts of assets recognized in the consolidated balance sheet relating to the Group's interests in these joint operation arrangements are the completed film rights and films production in progress totalling HK$236,005,000 (2018: HK$129,528,000).

Note (b):

The balance represented the Group's investments in films 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 the film rights investment agreements.

16 INTEREST IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2019 which, in the opinion of the directors, is material to the Group. The associate is a private company and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the associate, and there are no contingent liabilities of the associate itself.

Details of interest in an associate as at 31 December 2019 and 2018 are as follows:

Name	**Place of establishment and kind of legal entity**	**% of ownership interest**		**Principal activities and place of operation**
		2019	2018	
HB Entertainment Co., Ltd. ("HB Entertainment")	South Korea, limited liability company	**31%**	31%	Production of and investments in movies and TV drama series, provision of entertainer/ artist management and agency services in South Korea

16 INTEREST IN AN ASSOCIATE *(Continued)*

Summarized financial information for material associate

Set out below is the summarized financial information of HB Entertainment which is material to the Group. The entity is accounted for using the equity method.

Summarized balance sheet

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**107,197**	113,365
Other current assets (excluding cash)	**58,899**	77,445
Total current assets	**166,096**	190,810
Current financial liabilities (excluding trade payables)	**(8,246)**	(6,149)
Other current financial liabilities	**(65,536)**	(54,750)
Total current liabilities	**(73,782)**	(60,899)
Non-current		
Total non-current assets	**131,382**	84,574
Financial liabilities	**–**	–
Other liabilities	**(8,754)**	(4,782)
Total non-current liabilities	**(8,754)**	(4,782)
Net assets	**214,942**	209,703
Non-controlling interest	**1,938**	(148)
Net assets attributable to the equity holders	**216,880**	209,555

16 INTEREST IN AN ASSOCIATE *(Continued)*

Summarized financial information for material associate *(Continued)*

Summarized statement of comprehensive income

	2019 HK$'000	2018 HK$'000
Revenue	**272,155**	180,081
Depreciation and amortization	**(1,647)**	(905)
Profit/(loss) before taxation	**17,292**	(3,098)
Taxation	**(1,257)**	(552)
Profit/(loss) after taxation	**16,035**	(3,650)
Other comprehensive loss	**(8,710)**	(5,450)
Total comprehensive income/(loss)	**7,325**	(9,100)

The information above reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy, if any.

Movements of interest in an associate are as follows:

	2019 HK$'000	2018 HK$'000
Interest in an associate		
At 1 January	**275,982**	177,619
Acquisition of additional shares in an associate (Note 28(c))	**–**	103,427
Share of results	**4,934**	(1,234)
Exchange differences	**(2,666)**	(3,830)
At 31 December	**278,250**	275,982

16 INTEREST IN AN ASSOCIATE *(Continued)*

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in an associate

	2019 HK$'000	2018 HK$'000
Summarized financial information		
Opening net assets as at 1 January	**209,555**	115,228
Capital injection	**–**	103,427
Profit/(loss) for the year	**16,035**	(3,449)
Exchange differences	**(8,710)**	(5,651)
Closing net assets as at 31 December	**216,880**	209,555
Interest in an associate	**66,734**	64,466
Goodwill	**211,516**	211,516
Carrying value	**278,250**	275,982

Impairment assessment for the interest in an associate

Recoverable amount has been determined by value-in-use calculation of present value of expected future cash flows.

Management determined the compound annual growth rate of revenue in five-year period and annual growth rate beyond the five-year period based on past performance, industry forecast and its budget of market development. The discount rate used reflected specific risks relating to this cash-generating unit.

Key assumptions adopted in value-in-use calculation were as follows:

	As at 31 December 2019	 2018
Compound annual growth rate of revenue in five-year period	**21.5%**	30.8%
Annual growth rate beyond the five-year period	**3.5%**	3.5%
Pre-tax discount rate	**20.5%**	20.5%

No provision for impairment of interest in HB Entertainment has been made for the years ended 31 December 2019 and 31 December 2018.

17 FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated balance sheet

	At amortized cost HK$'000	At fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2019			
Programmes and films production in progress	**75,874**	**–**	**75,874**
Deposits and other receivables (excluding non-financial assets)	**331,609**	**–**	**331,609**
Pledged bank deposits	**49,664**	**–**	**49,664**
Cash and cash equivalents	**198,248**	**–**	**198,248**
Financial assets at fair value through profit or loss	**–**	**4,112**	**4,112**
Film rights investments	**–**	**16,745**	**16,745**
Total	**655,395**	**20,857**	**676,252**
As at 31 December 2018			
Deposits and other receivables (excluding non-financial assets)	72,140	–	72,140
Cash and cash equivalents	362,490	–	362,490
Financial assets at fair value through profit or loss	–	5,973	5,973
Total	434,630	5,973	440,603

Liabilities as per consolidated balance sheet

	Financial liabilities at amortized cost HK$'000
As at 31 December 2019	
Other payables and accrued liabilities (excluding non-financial liabilities)	**7,971**
Bank and other borrowings	**365,682**
Lease liabilities	**4,337**
Total	**377,990**
As at 31 December 2018	
Other payables and accrued liabilities (excluding non-financial liabilities)	6,075
Total	6,075

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Unlisted securities		
Huayi-Warner Contents Fund	**4,112**	5,973

Financial asset at fair value through profit or loss includes interests in Huayi-Warner Contents Fund, which are unlisted securities. On 28 April 2017, the Group entered into a partnership agreement as a limited partner with, among others, Huayi Investment Inc. as the general partner and Warner Bros. Korea Inc. as a limited partner, to contribute capital of KRW1 billion (equivalent to approximately HK$6.8 million) for the establishment of Huayi-Warner Contents Fund. As at 31 December 2019, it represented 11% (2018: 11%) of the total capital contribution to the fund. The Fund's capital shall be invested in film projects that are produced and distributed by Warner Bros. Korea Inc.

The balances are denominated in following currency:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
KRW	**4,112**	5,973

The maximum exposure to credit risk at the period-end is the carrying value.

During the year ended 31 December 2019, the net fair value loss of HK$1,861,000 (2018: net fair value loss of approximately HK$928,000) was recognized in the consolidated income statement.

19 TRADE RECEIVABLES

The aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Over 1 year (Note)	**8,310**	8,373
Loss allowance	**(8,310)**	(8,373)
	–	–

Note: The difference between the balances as at 31 December 2019 and 31 December 2018 represented the exchange realignment.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Movements on the Group's loss allowance for trade receivables are as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
At 1 January	**8,373**	–
Increase in loss allowance recognized in profit or loss during the year	**–**	8,373
Exchange differences	**(63)**	–
At 31 December	**8,310**	8,373

Amounts charged to the loss allowance account are generally written off, when there is no expectation of recovering additional cash.

As at 31 December 2019, the carrying amounts of trade receivables approximate their fair values and are denominated in US$ (2018: US$).

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables disclosed above. The Group does not hold any collateral as security.

20 PROGRAMMES AND FILMS PRODUCTION IN PROGRESS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Programmes and films production in progress	**76,205**	–
Less: Loss allowance	**(331)**	–
	75,874	–

Movements in the programmes and films production in progress are as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
At 1 January	**–**	4,785
Additions	**74,128**	–
Interest receivable	**2,391**	–
Investment return withdrawn	**–**	(5,776)
(Increase)/decrease in loss allowance recognized in profit or loss during the year	**(333)**	1,168
Exchange difference	**(312)**	(177)
At 31 December	**75,874**	–

Programmes and films production in progress are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. As at 31 December 2019, the average effective interest rate for the outstanding balance was 7.06% (2018: N/A).

Information about the impairment of programmes and films production in progress can be found in Note 3(i)(b).

20 PROGRAMMES AND FILMS PRODUCTION IN PROGRESS *(Continued)*

The carrying amounts of programmes and films production in progress of the Group are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
HK$	**47,593**	–
RMB	**28,281**	–
	75,874	–

The carrying amounts of programmes and films production in progress approximate their fair values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of programmes and films production in progress disclosed above.

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Prepayments	**20,531**	59,139
Deposits and other receivables	**335,305**	64,687
	355,836	123,826
Less: provision for impairment of prepayments and other receivables (Note)	**(23,198)**	(23,211)
	332,638	100,615
Less: non-current portion	**(739)**	(16,200)
	331,899	84,415

Note: The difference between the balance as at 31 December 2019 and 31 December 2018 represented the exchange realignment.

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of prepayments, deposits and other receivables of the Group are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
HK$	**11,329**	5,431
RMB	**321,309**	95,184
	332,638	100,615

The carrying amounts of deposits and other receivables approximate their fair values. For the year ended 31 December 2019, there is no provision for impairment has been charged to the consolidated income statement (2018: HK$7,639,000).

The maximum exposure to credit risk at the balance sheet date is the carrying value of deposits and other receivables disclosed above.

22 PLEDGED BANK DEPOSITS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Pledged bank deposits	**49,664**	–

The deposits of approximately HK$49,664,000 (2018: nil) with a bank were to secure the utilized portion of RMB100,000,000 banking facilities granted to the Group of RMB40,000,000 (equivalent to approximately HK$44,653,000) as at 31 December 2019 (2018: nil). The pledged bank deposits will be released upon the repayment of bank borrowings.

The carrying amounts of pledged bank deposits approximate their fair values and are denominated in HK$.

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Cash and bank balances	**198,248**	362,490
Denominated in:		
HK$	**176,754**	71,342
RMB	**20,054**	289,699
US$	**1,440**	1,449
	198,248	362,490
Maximum exposure to credit risk	**198,232**	362,485

The Group's cash and bank balances of approximately HK$20,037,000 and HK$289,682,000 as at 31 December 2019 and 2018, respectively, were denominated in RMB and held in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

24 BANK AND OTHER BORROWINGS

Bank and other borrowings

The borrowings of the Group comprise:

	2019	2018
	HK$'000	HK$'000
Current		
Bank borrowings	**44,653**	–
Other borrowings (Note)	**321,029**	–
	365,682	–
Secured:		
Bank borrowings	**44,653**	–
Other borrowings (Note)	**321,029**	–
	365,682	–

24 BANK AND OTHER BORROWING *(Continued)*

Bank and other borrowings *(Continued)*

Note: The amounts included borrowings provided by non-financial institutions, with a total amount of approximately HK$321,029,000 as at 31 December 2019 (2018: nil). The borrowings are interest free, repayable in 12 months from the balance sheet date and are secured by deposits denominated in RMB amounted to RMB287,516,000 (equivalent to approximately HK$320,960,000) as at 31 December 2019 (2018: nil) which has been included in prepayments, deposits and other receivables in the consolidated balance sheet. As at the date of drawdown, the imputed interest represented the differences between the fair value and the principal amount of the borrowings amounting approximately HK$6,086,000 which was recognized in "Finance income" in the consolidated income statement and is unwind over the loan period which was recognized in "Finance cost" of approximately HK$3,313,000 in the consolidated income statement for the year ended 31 December 2019 (2018: nil).

At 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	2019	2018
	HK$'000	HK$'000
Within 1 year (Note)	**365,682**	–

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
HK$	**321,029**	–
RMB	**44,653**	–
	365,682	–

The borrowings of approximately HK$44,653,000 as at 31 December 2019 were borrowed from a bank in the PRC by a subsidiary of the Group that are incorporated or established in the PRC (2018: nil).

24 BANK AND OTHER BORROWINGS *(Continued)*

Bank and other borrowings *(Continued)*

The effective interest rates at the consolidated balance sheet date are as follows:

	As at 31 December 2019		As at 31 December 2018	
	HK$	**RMB**	HK$	RMB
Bank borrowings	**N/A**	**5.45%**	N/A	N/A
Other borrowings	**1.75%**	**N/A**	N/A	N/A

The carrying amount of the assets of the Group pledged to secure its borrowings are as follows:

	2019	2018
	HK$	HK$
Pledged bank deposits	**49,664**	–
Pledged deposits	**320,960**	–
	370,624	–

25 OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Current liabilities:		
Other payables and accrued liabilities (Note)	**11,540**	11,790
	11,540	11,790

Note: Other payables and accrued liabilities mainly represented accrued operating expenses and PRC other tax payables.

25 OTHER PAYABLES AND ACCRUED LIABILITIES *(Continued)*

The carrying amounts of other payables and accrued liabilities approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
HK$	**2,555**	2,448
RMB	**8,985**	9,342
	11,540	11,790

26 SHARE CAPITAL

	Ordinary shares of HK$0.02 each		Preference shares of HK$0.01 each		
	No. of shares '000	HK$'000	No. of shares '000	HK$'000	HK$'000
Authorized:					
At 31 December 2018 and 31 December 2019 (Note a)	150,000,000	3,000,000	240,760	2,408	3,002,408
Issued and fully paid:					
At 1 January 2018 and 1 January 2019	13,498,107	269,962	–	–	269,962
At 31 December 2018 and 31 December 2019	13,498,107	269,962	–	–	269,962

Notes:

(a) Authorized share capital

The total number of authorized shares includes ordinary shares and preference shares. 150,000,000,000 (2018: 150,000,000,000) shares are ordinary shares with par value of HK$0.02 (2018: HK$0.02) per share. 240,760,000 (2018: 240,760,000) shares are preference shares with par value of HK$0.01 per share (2018: HK$0.01). All issued shares are fully paid.

26 SHARE CAPITAL *(Continued)*

Share option

Pursuant to a resolution passed on the extraordinary general meeting of the Company dated 4 June 2012, the share option scheme adopted by the Company on 30 July 2002 ("Terminated Option Scheme") has been terminated and the Company has adopted a new 10-year term share option scheme ("New Option Scheme") on the same date. Pursuant to the New Option Scheme, the Company can grant options to Qualified Persons (as defined in the New Option Scheme) for a consideration of HK$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to said resolution passed on 22 April 2016, the Company can grant up to 1,349,810,657 share options to the Qualified Persons.

Subscription price in relation to each option pursuant to the New Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. For the year ended 31 December 2019, no share option has been granted under the New Option Scheme (2018: nil) and no share-based payment expense has been charged to the consolidated income statement (2018: nil).

During the year ended 31 December 2019, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding share option as at 31 December 2019 (2018: same).

27 RESERVES

	Share premium HK$'000 (Note ii)	Merger reserve HK$'000 (Note i)	Capital redemption reserve HK$'000 (Note iii)	Available-for-sale financial assets reserve HK$'000	Currency translation reserve HK$'000 (Note iv)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
Balance at 1 January 2018	1,213,484	860,640	1,206	56	73,734	(1,542,970)	606,150	(154)	605,996
Change in accounting policy	–	–	–	(56)	–	56	–	–	–
Restated as at 1 January 2018	1,213,484	860,640	1,206	–	73,734	(1,542,914)	606,150	(154)	605,996
Profit for the year	–	–	–	–	–	73,737	73,737	571	74,308
Currency translation differences									
– Group	–	–	–	–	(11,709)	–	(11,709)	2	(11,707)
– Associate	–	–	–	–	(3,830)	–	(3,830)	–	(3,830)
– Recycling upon disposals of subsidiaries	–	–	–	–	(65,518)	–	(65,518)	–	(65,518)
Transaction with owners in their capacity as owners	–	–	–	–	–	–	–	(419)	(419)
Balance at 31 December 2018	1,213,484	860,640	1,206	–	(7,323)	(1,469,177)	598,830	–	598,830

27 RESERVES *(Continued)*

	Share premium HK$'000 (Note ii)	Merger reserve HK$'000 (Note i)	Capital redemption reserve HK$'000 (Note iii)	Currency translation reserve HK$'000 (Note iv)	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2019	1,213,484	860,640	1,206	(7,323)	(1,469,177)	598,830
Loss for the year	–	–	–	–	(28,770)	(28,770)
Currency translation differences						
– Group	–	–	–	(5,125)	–	(5,125)
– Associate	–	–	–	(2,666)	–	(2,666)
– Recycling upon deregistration of a subsidiary	–	–	–	979	–	979
Balance at 31 December 2019	1,213,484	860,640	1,206	(14,135)	(1,497,947)	563,248

Notes:

(i) The merger reserve of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of a group company pursuant to the Group reorganization in 2002, and the consolidated net asset value of the group company so acquired. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, the merger reserve is distributable to shareholders under certain prescribed circumstances.

(ii) The share premium of the Company represents the excess of the fair value of the issued shares over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, a company may make distributions to its members out of the share premium in certain circumstances.

(iii) During the year ended 31 December 2008, the Company repurchased 120,600,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$4,609,000 were deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$1,206,000 has been transferred from accumulated losses to capital redemption reserve.

(iv) The Group has certain investments in subsidiaries and associate with RMB/KRW as their functional currency, which is subjected to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve. Fluctuation of currency translation differences in other comprehensive income in current year was resulted from revaluation of RMB/KRW against HK$ and reclassification to profit or loss upon deregistration of a subsidiary of the Group.

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash (used in)/generated from operations

	2019 **HK$'000**	2018 HK$'000
Loss before taxation from continuing operations	**(27,985)**	(66,325)
Profit before taxation for the year from discontinued operation	**–**	140,763
Adjustments for:		
– Share of results of an associate	**(4,934)**	1,234
– Gain on disposals of subsidiaries	**–**	(143,983)
– Bank interest income	**(5,173)**	(2,096)
– Interest revenue calculated using the effective interest method	**(2,375)**	–
– Depreciation of property, plant and equipment	**3,368**	3,544
– Depreciation of right of use assets	**22,159**	–
– Loss on disposal of property, plant and equipment	**–**	9
– Provision for impairment of interest in an associate	**–**	–
– Provision for impairment of trade receivables	**–**	8,373
– Provision for impairment of prepayments and other receivables	**–**	7,639
– Provision for impairment of completed film rights	**–**	2,253
– Provision for/(reversal of) impairment of programmes and films production in progress	**333**	(1,168)
– Loss on deregistration of a subsidiary	**979**	–
– Amortization of completed film rights and other intangible assets	**–**	1,250
– Fair value loss on financial asset at fair value through profit or loss, net	**1,861**	928
– Finance costs, net	**601**	11
	(11,166)	(47,568)
Changes in working capital:		
– (Increase)/decrease in prepayments, deposits and other receivables	**(225)**	37,868
– Additions in film rights and films production in progress	**(123,321)**	(9,870)
– Additions in programmes and films production in progress	**(74,128)**	–
– Return of capital of films production in progress	**–**	89,697
– (Decrease)/increase in other payables and accrued liabilities	**(600)**	3,409
Cash (used in)/generated from operations	**(209,440)**	73,536

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Cash flow from disposals of subsidiaries

For the year ended 31 December 2018

Analysis of net gain on disposals of subsidiaries:

	Disposal group held for sale (Note 29) HK$'000	Other subsidiary individually insignificant (Note i) HK$'000	Total HK$'000
Cash consideration	322,986	4,991	327,977
Property, plant and equipment disposed of	(170)	(298)	(468)
Net assets disposed of	(247,391)	(2,072)	(249,463)
Non-controlling interest disposed of	–	419	419
	75,425	3,040	78,465
Release of exchange reserve upon disposals	65,370	148	65,518
Gain on disposals of subsidiaries	140,795	3,188	143,983

Analysis of net proceeds from disposals of subsidiaries:

	Disposal group held for sale (Note 29) HK$'000	Other subsidiary individually insignificant (Note i) HK$'000	Total HK$'000
Cash consideration	322,986	4,991	327,977
Less: cash received after balance sheet date or classified as other receivables (Note 29)	(57,065)	–	(57,065)
Cash consideration received during the year	265,921	4,991	270,912
Less:			
– cash and cash equivalents included in subsidiaries disposed of	–	(8,743)	(8,743)
Proceeds from disposals of subsidiaries, net of cash and cash equivalents disposed of	265,921	(3,752)	262,169

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Cash flow from disposals of subsidiaries *(Continued)*

For the year ended 31 December 2018 *(Continued)*

Note i: On 28 March 2018, Beijing Hua Yi Hao Ge Media Culture Co., Ltd. ("Hao Ge", a wholly-owned subsidiary of the Company) with an independent third party (the "Purchaser") entered into an equity transfer agreement for the disposal of 50% equity interest in Beijing Si Hai Jun Tian Trading Company Limited ("Si Hai Jun Tian") by Hao Ge to the Purchaser for a consideration of RMB4,000,000 and Hao Ge, the Purchaser and the individual registered shareholder of Si Hai Jun Tian who holds 1% equity interest in Si Hai Jun Tian on behalf of Hao Ge ("the Nominee Shareholder") entered into a nominee equity transfer agreement for the disposal of the beneficial ownership of 1% of equity interest in Si Hai Jun Tian, which is registered in the name of the Nominee Shareholder and held on behalf of Hao Ge, to the Purchaser for a consideration of RMB80,000.

Si Hai Jun Tian is a 51% owned subsidiary of the Group principally engaged in the provision of offline health and wellness services through operation of a mid- tier wellness centre in Beijing, the PRC.

The disposal transaction was completed on 31 May 2018.

(c) Cash flow from acquisition of additional shares in an associate

	2018 HK$'000
Consideration (Note 16)	103,427
Less: conversion of convertible preference stock (Note 3)	(12,070)
	91,357

(d) Reconciliation of liabilities arising from financing activities

	Borrowings **HK$'000**	**Leases** **HK$'000**	**Total** **HK$'000**
At 31 December 2018 and 1 January 2019	–	–	–
Cash flows	368,950	(558)	368,392
Acquisition – leases	–	4,895	4,895
Foreign exchange adjustments	(495)	–	(495)
Finance costs, net	(2,773)	–	(2,773)
At 31 December 2019	365,682	4,337	370,019

29 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION

For the year ended 31 December 2018

	2018 HK$'000
Profit for the year from discontinued operation is comprised of the followings:	
Hao You (Note)	140,763
	140,763

Note:

Hao You

On 9 September 2016, Hao Ge and Poly Culture Group Corporation Limited ("Poly Culture") entered into an agreement in relation to the possible acquisition of the remaining 50% equity interest in Hao You by Hao Ge from Poly Culture for a consideration of RMB80 million. Hao You was the then joint venture of the Group held by Hao Ge as to 50%.

On 25 November 2016, Hao Ge and Poly Culture entered into a sales and purchase agreement in relation to the remaining 50% equity interest in Hao You at a consideration of RMB80 million (equivalent to approximately HK$90.1 million) (the "Step Acquisition"). Upon the completion of the Step Acquisition on 1 December 2016, Hao You became a wholly-owned subsidiary of the Company. Hao Ge acquired Hao You with a view to subsequently dispose of all or a majority of its equity interest in Hao You and the amount due from Hao You by Hao Ge to a potential buyer. Hao Ge has held equity interest in Hao You since 2005 and Hao You had made losses since 2014. For the year ended 31 December 2015, the Group made provision for impairment of interest in Hao You and amount due from Hao You amounting HK$164 million, which was mainly due to deterioration of expected future cash flows from Hao You. Given that the financial results of Hao You had not been satisfactory and it did not make positive contribution to the Group in recent years, management's disposal plan on Hao You represented a good opportunity to realize the Group's investment in Hao You.

On 5 December 2018, Hao Ge and Hainan Radio and TV Station Ltd (the "Purchaser A"), which is principally engaged in operations of TV and radio stations in Hainan Province and holds 50% equity interest in Hainan Haishi Travel Satellite TV, entered into a sales and purchase agreement for the disposal of the entire equity interest in Hao You to the Purchaser A for a consideration of RMB283,000,000 (equivalent to approximately HK$322,986,000). The abovementioned transaction was completed on 27 December 2018.

Analysis of income or expense recognized in other comprehensive income relating to the disposal group in relation to Hao You classified as held for sale is as follows:

	From 1 January 2018 to 27 December 2018 HK$'000
Currency translation differences	(11,956)

29 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION *(Continued)*

For the year ended 31 December 2018 *(Continued)*

Hao You *(Continued)*

Analysis of the results of discontinued operation in relation to Hao You is as follows:

	From 1 January 2018 to 27 December 2018 HK$'000
Other expenses and other losses, net	(32)
Gain on disposal of discontinued operation	140,795
Profit before taxation from discontinued operation	140,763
Taxation	–
Profit for the year from discontinued operation	140,763

Analysis of the cash flows from discontinued operation in relation to Hao You is as follows:

	From 1 January 2018 to 27 December 2018 HK$'000
Operating cash flows	(257)
Investing cash flows	265,921
Financing cash flows	–
Total cash flows	265,664

29 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION *(Continued)*

For the year ended 31 December 2018 *(Continued)*

Hao You *(Continued)*

Analysis of gain on disposal of Hao You which was completed on 27 December 2018 is as follows:

	HK$'000
Cash consideration	
– cash received upon disposal	265,921
– cash received after balance sheet date or classified as other receivables	57,065
Total cash consideration	322,986
Net assets disposed of	247,561
Add:	
– release of exchange reserve upon disposal	65,370
Gain on disposal of Hao You	140,795

30 COMMITMENTS

(a) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Not later than one year	**91**	1,820
	91	1,820

30 COMMITMENTS *(Continued)*

(b) Investment Commitments

As at 31 December 2019, total investment commitments are analyzed as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Not later than one year	**29,587**	14,414
Later than one year and not later than five years	**–**	17,234
	29,587	31,648

31 RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions:

Name of party	Nature of transaction	Year ended 31 December	
		2019	2018
		HK$'000	HK$'000
華誼兄弟電影有限公司 (“Huayi Brothers Film Co., Ltd”) (Note)	Interest revenue calculated using effective interest method	**486**	–
		486	–

Note: Huayi Brothers Film Co., Ltd is the subsidiary of Huayi Brothers Media Corporation, a substantial shareholder of the Company. The above transaction was conducted in the normal course of business of the Company and charged at terms mutually agreed by the parties concerned.

On 2 May 2019, the Company and Huayi Brothers International Limited (“HBI”) entered into a cooperation framework agreement, pursuant to which the parties have agreed to cooperate in (i) investing in and carrying out media and entertainment projects; and (ii) engaging HBI or its associated company to provide distribution services for certain media and entertainment projects which the Group owns or has acquired to distribution rights in the PRC. For details, please refer to the Company's circular dated 4 June 2019. Pursuant to the above cooperation framework agreement, the Group has entered into several agreements for the investing in and carrying out media and entertainment projects with HBI and its associated companies totaling approximately HK$117,634,000 (2018: nil) during the year ended 31 December 2019.

31 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party balances

	2019 HK$'000	2018 HK$'000
Film rights and films production in progress		
– HBI	**34,963**	9,870
– Huayi Brothers Film Co., Ltd	**16,745**	–
– WR Brothers Inc.	**49,094**	–
Programmes and films production in progress		
– Huayi Brothers Film Co., Ltd	**28,281**	–
	129,083	9,870

(c) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in Note 34 and certain of the highest paid employees is disclosed in Note 12.

32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across different countries/regions. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December 2019 HK$'000	2018 HK$'000
Assets		
Non-current assets		
Interests in subsidiaries	**–**	–
Investment in an associate	**281,046**	281,046
Financial asset at fair value through profit or loss	**4,112**	5,973
Loans advance to subsidiaries	**455,841**	544,111
	740,999	831,130

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Balance sheet of the Company *(Continued)*

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Current assets		
Prepayments, deposits and other receivables	**10,466**	4,527
Pledged bank deposits	**49,664**	–
Cash and cash equivalents	**76,331**	69,241
	136,461	73,768
Total assets	**877,460**	904,898
Equity and liabilities		
Equity		
Share capital	**269,962**	269,962
Reserves (Note (a))	**604,945**	632,645
Total equity	**874,907**	902,607
Liabilities		
Current liabilities		
Other payables and accrued liabilities	**2,553**	2,291
Total liabilities	**2,553**	2,291
Total equity and liabilities	**877,460**	904,898

The balance sheet of the Company was approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

WANG Zhongjun	**CHENG Wu**
Director	*Director*

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY
(Continued)

NOTE (a) RESERVE MOVEMENT OF THE COMPANY

	Share premium HK$'000	Capital redemption reserve HK$'000	Available-for-sale financial asset reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,213,484	1,206	56	(521,239)	693,507
Change in accounting policy	–	–	(56)	56	–
Restated as at 1 January 2018	1,213,484	1,206	–	(521,183)	693,507
Loss for the year	–	–	–	(60,862)	(60,862)
At 31 December 2018	1,213,484	1,206	–	(582,045)	632,645
At 1 January 2019	**1,213,484**	**1,206**	**–**	**(582,045)**	**632,645**
Loss for the year	**–**	**–**	**–**	**(27,700)**	**(27,700)**
At 31 December 2019	**1,213,484**	**1,206**	**–**	**(609,745)**	**604,945**

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each of the Directors and chief executive of the Company for the year ended 31 December 2019 is set out as follows:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
Director and chief executive							
Mr. WANG Zhongjun	–	–	–	–	–	–	–
Directors							
Mr. CHENG Wu (ii)	–	–	–	–	–	–	–
Mr. WANG Zhonglei	–	–	–	–	–	–	–
Mr. LIN Haifeng (v)	–	–	–	–	–	–	–
Mr. HU Junyi (iv)	–	40	–	–	–	2	42
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Dr. WONG Yau Kar David	200	–	–	–	–	–	200
Mr. YUEN Kin	200	–	–	–	–	–	200
Mr. CHU Yuguo	200	–	–	–	–	–	200
	600	40	–	–	–	2	642

The remuneration of each of the Directors and chief executive of the Company for the year ended 31 December 2018 is set out as follows:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
Director and chief executive							
Mr. WANG Zhongjun	–	–	–	–	–	–	–
Directors							
Mr. LAU Seng Yee (i)	–	–	–	–	–	–	–
Mr. CHENG Wu (ii)	–	–	–	–	–	–	–
Mr. WANG Zhonglei	–	–	–	–	–	–	–
Mr. LIN Haifeng	–	–	–	–	–	–	–
Ms. WANG Dongmei (iii)	–	–	–	–	–	–	–
Mr. HU Junyi (vi)	–	–	–	–	–	–	–
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Dr. WONG Yau Kar David	200	–	–	–	–	–	200
Mr. YUEN Kin	200	–	–	–	–	–	200
Mr. CHU Yuguo	200	–	–	–	–	–	200
	600	–	–	–	–	–	600

34 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

(i) Resigned on 16 August 2018

(ii) Appointed on 16 August 2018

(iii) Resigned on 28 December 2018

(iv) Appointed on 28 December 2018

(v) Resigned on 28 October 2019

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company does not pay consideration to any third parties for making available directors' services (2018: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2019, there are no loans, quasi-loans and other dealing arrangements entered into by the Company or subsidiary undertaking of the Company in favour of directors, controlled bodies corporate by and connected entities with such directors (2018: nil).

(e) Directors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2019 or at any time during the year then ended (2018: nil).

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company as at 31 December 2019 and 2018 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2019	2018	Principal activities and place of operation
Anglo Alliance Co., Ltd (1)	British Virgin Islands, limited company	US$2 ordinary	**100%**	100%	Investment holding
北京華億浩歌傳媒文化有限公司 Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (4)	PRC, limited liability company	RMB136,651,563	**100%**	100%	Investment holding and licensing of films and TV drama in the PRC
北京華億千思廣告有限公司 Beijing Hua Yi Qian Si Advertising Company Limited (4)	PRC, limited liability company	RMB5,000,000	**100%**	100%	Advertising agency in the PRC
Horizon Partner Holdings Limited (1)	British Virgin Islands, limited company	US$1 ordinary	**100%**	100%	Investment holding
China Jiuhao Health Management Limited (2)	Hong Kong, limited company	HK$1 ordinary	**100%**	100%	Investment holding
北京北湖九號雲科技有限公司 Beijing Bayhood No.9 Cloud Technology Company Limited (3)(4)	PRC, limited liability company	US$2,000,000	**–**	100%	Internet and information technology in the PRC

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2019	2018	Principal activities and place of operation
Huayi Tencent Entertainment International Limited (1)(2)	Hong Kong, limited company	HK$40,000,000	**100%**	100%	Investment holding and licensing of films in Hong Kong
China Jiuhao (Haikou) Investment Company Limited (1)	British Virgin Islands, limited company	US$1 ordinary	**100%**	100%	Investment holding
中國9號健康產業（海口）有限公司 China Jiuhao Health Industry Corporation (Haikou) Limited (2)(4)	Hong Kong, limited company	HK$1 ordinary	**100%**	100%	Investment holding
海口九號酒店管理有限公司 Haikou Jiuhao Hotel Management Company Limited (4)	PRC, limited liability company	HK$150,000	**100%**	100%	Hotel management and provision of offline health and wellness services in the PRC

(1) Shares held directly by the Company.

(2) The statutory financial statements of these companies for the year ended 31 December 2019 are audited by PricewaterhouseCoopers.

(3) Deregistration completed during the year ended 31 December 2019.

(4) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, are summarized below.

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000 (Restated)	2015 HK$'000
Revenue – continuing operations	**99,326**	109,168	167,666	128,324	122,838
Loss before finance costs and taxation – continuing operations	**(27,384)**	(66,314)	(140,733)	(124,664)	(127,813)
Finance (costs)/income, net – continuing operations	**(601)**	(11)	(26)	233	(220)
Loss before taxation – continuing operations	**(27,985)**	(66,325)	(140,759)	(124,431)	(128,033)
Taxation – continuing operations	**(785)**	(130)	(364)	(86)	(4,612)
Non-controlling interests – continuing operations	**–**	(571)	(1,405)	(727)	3,326
Loss from continuing operations attributable to the equity holders of the Company	**(28,770)**	(67,026)	(142,528)	(125,244)	(129,319)
Profit/(loss) from discontinued operation attributable to the equity holders of the Company	**–**	140,763	38,859	(14,262)	(364,351)
(Loss)/profit attributable to the equity holders of the Company	**(28,770)**	73,737	(103,669)	(139,506)	(493,670)
Property, plant and equipment	**3,736**	6,276	7,059	15,940	15,734
Film rights and films production in progress	**252,750**	129,528	212,853	367,602	23,872
Other intangible assets	**–**	–	5	10	15
Interests in joint ventures	**–**	–	–	–	179
Interest in an associate	**278,250**	275,982	177,619	190,501	–
Available-for-sale financial assets	**–**	–	18,971	12,101	–
Financial asset at fair value through profit or loss	**4,112**	5,973	–	–	–
Other non-current assets	**21,275**	16,200	53,799	93,976	88,640
Current assets	**655,685**	446,905	437,559	413,714	546,584
Total assets	**1,215,808**	880,864	907,865	1,093,844	675,024
Current liabilities	**379,643**	11,790	16,594	76,751	85,953
Non-current liabilities	**2,955**	282	15,313	13,224	12,216
Total liabilities	**382,598**	12,072	31,907	89,975	98,169
Net assets	**833,210**	868,792	875,958	1,003,869	576,855