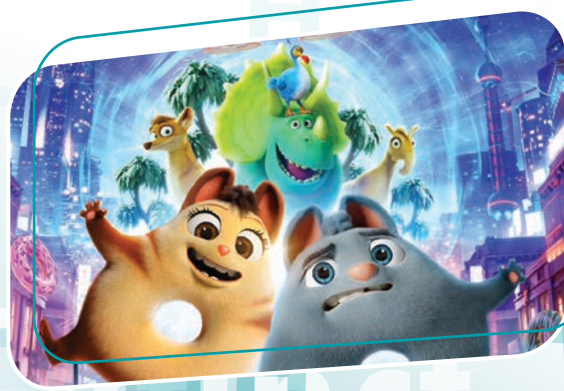
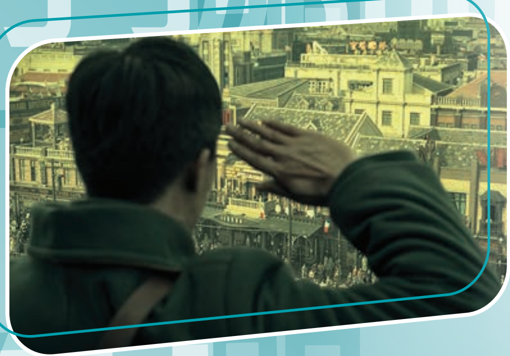
H.BROTHERS ENTERTAINMENT
華誼騰訊娛樂





ANNUAL REPORT 2020

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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BOARD OF DIRECTORS

Executive Directors

Mr. WANG Zhongjun *(Chairman)*
Mr. CHENG Wu *(Vice Chairman)*
Mr. YUEN Hoi Po *(Chief Executive Officer)*

Independent Non-Executive Directors

Dr. WONG Yau Kar, David, *GBS, JP*
Mr. YUEN Kin
Mr. CHU Yuguo

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

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Hang Seng Bank
The Hongkong and Shanghai
Banking Corporation Limited

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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 2020.

Global economy was dealt a severe blow in 2020 by the COVID-19 pandemic. The entire offline entertainment industry was no exception and, at one point, the film industry went into hibernation. While the global box office receipts in 2020 had nosedived by 71% from the previous year to around US$12.4 billion, the PRC box office performance was able to become the best around the globe (standing at RMB20.417 billion, equivalent to approximately US$3.1 billion) as the pandemic in the country was gradually brought under control. In fact, ever since the film industry in the PRC resumed its operation since July 2020, the growth of cinemas and screens has more than recovered the lost ground (growing by 4.4% to 11,856 and by 8.3% to 75,581 respectively), manifesting the success of the industry after a year-long baptism of fire. Amongst the films released last year, "*Eight Hundred*", in which the Group has co-invested, topped the box office with proceeds of RMB3.11 billion since its release in August 2020 and stands at 11th highest-grossing film of all time. It demonstrates the Group's ability in reacting to the audience's change in taste, selecting the right genres of films, making breakthroughs and dictating the market trend successfully through outstanding content. The ground for steady recovery of the industry has also been laid down by the strong performance of the box office during the lunar new year: the total receipts from the beginning of 2021 to 15 February 2021 reached new heights and surpassed the mark of RMB6 billion (RMB5.8 billion in 2019).

During the year under review, apart from the successful theatrical release of "*Eight Hundred*", a war and history film with rave reviews, the Group has also optimized its footprint in the industry by cooperating with media streaming platforms in order that the worldwide audience may still enjoy its top-notch media productions during the pandemic. "*Space Sweepers*" and "*Cherry*", the two films which have been invested and co-produced by the Group, have had their worldwide distribution rights (excluding the PRC) acquired by Netflix and Apple TV+ respectively. "*Space Sweepers*", which made its global debut on 5 February 2021 on Netflix, has become the talk of the town and also the most watched film on Netflix in 26 regions, whilst "*Cherry*" has also been premiered universally on Apple TV + on 12 March 2021. On the other hand, the filming of "*Moonfall*", a disaster blockbuster co-financed and co-produced by the Group, is completed and, after the post-production process, the movie is set to be released in 2022.

While its culture is taking the world by storm, the films and dramas made in Korea have also won over audiences from Asian and the world. They have scooped multiple international awards and conquered box offices on numerous occasions. In the past few years, the Group has been well aware of the potential of the Korean film and entertainment market and has actively invested in the sector. One of the projects it has invested and co-produced is "*Space Sweepers*", Korea's first science-fiction space feature film. It is regarded as an epoch-making move for the Group in the Korean film and entertainment market. On the other hand, the two television dramas produced by HB Entertainment, in which the Group holds a stake of 31%, have both achieved commendable results in 2020. The viewership of "*Beautiful Love, Wonderful Life*", in particular, reached 32.3% in its prime and averaged 31.5% during the broadcast of the finale, demonstrating its popularity with Korean audiences. Though the impact of the pandemic in Korea was still fluctuating, the Group believes that, after the pandemic comes under control, HB Entertainment's ability in production of films and TV dramas and market acumen will help them produce more outstanding masterpieces.

With the pandemic expected to be gradually subdued globally in 2021 after the vaccine emerges, cinemas across the world will reopen and overcome the wintry conditions in the industry, and drive the continued revival of the market. Thanks to its meticulous and conscientious manoeuvre, including culling and investing in high quality film projects in the PRC, the United States and Korea, etc., the Group will reap the harvest as these films will soon be presented to the audience in succession.

Against the backdrop of the film industry being sucker-punched by the pandemic in the past year, the Group, while carrying on its advancement in the media and entertainment aspect, has been looking for diversified opportunities in order to carve out a more robust development path. On 26 November 2020, the Group appointed Mr. YUEN Hoi Po as its Chief Executive Officer, who will take charge of developing a diversified business model for the Group. Since Mr. YUEN's introduction to the Board of Directors in 2010, he has been the mainstay of the steady and stable progress of the Group's healthcare and wellness services. Looking ahead, the Group will continue to strengthen its cooperation with substantial shareholders and strategic partners and to formulate a lasting and substantial business profile by continuously developing media and entertainment operations while at the same time pinpointing other development opportunities with great potential.

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, 25 March 2021

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the year ended 31 December 2020 ("the year under review") are summarized in the table below:

	2020 HK$'000	2019 HK$'000	
Total revenue	**111,055**	99,326	+12%
Gross profit	**50,866**	39,011	+30%
Loss for the year excluding the provisions for impairment of right-of-use assets and interest in an associate	**(19,718)**	(28,770)	–31%
Loss for the year	**(56,574)**	(28,770)	+97%

	Revenue		Segment Results	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Entertainment and media operations	**13,780**	2,736	**(13,213)**	5,476
Healthcare and wellness services	**97,275**	96,590	**(26,242)**	(12,132)
Total	**111,055**	99,326	**(39,455)**	(6,656)

During the year under review, economic activities worldwide suffered setbacks and had stagnated due to the COVID-19 pandemic. In the first half of 2020, a large number of films could not be screened on schedule or saw their original release dates deferred as theatres in most countries/regions worldwide were forced into operation on limited scale or even complete suspension. The film market in the PRC had, however, recorded a steady recovery in the second half of 2020 as the epidemic in the country has gradually come under control. Mainly contributed by the release of "*Eight Hundred*", a film on war and history and co-invested in by the Group grossing RMB3.11 billion box office receipts after its release in August 2020, the revenue of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") from the Entertainment and Media Operations during the year under review increased significantly by about 4 times over the same period last year to approximately HK$13,780,000 (2019: HK$2,736,000). Meanwhile, the revenue of the Group's healthcare and wellness services in the second half of the year had also stabilized, thanks to the epidemic being gradually contained in the PRC, with an annual rise of 1% to approximately HK$97,275,000 (2019: HK$96,590,000). During the year under review, the Group's total revenue amounted to approximately HK$111,055,000, representing a period-to-period increase of nearly 12%.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

The Group has all the while been seeking opportunities to intensify its footprint in the Entertainment and Media Operations. Though the production of certain film projects were temporarily suspended due to the pandemic, the orderly and progressive resumption of the industry in the PRC and the rest of the world, together with the appearance of a vast number of films and dramas on streaming platforms in response to the growing demand for home media and entertainment, the films co-invested and co-produced by the Group will be presented to the worldwide audience in succession. During the year under review, the revenue from the Entertainment and Media Operations had surged by about 400% to approximately HK$13,780,000 (2019: HK$2,736,000) mainly due to the box office success of "*Eight Hundred*", a film on the theme of war and history. It was released in the PRC in August 2020 and became the highest-grossing film in the PRC and in the world in 2020 with box office receipts of RMB3.11 billion. The worldwide distribution rights (except for the PRC) of "*Space Sweepers*" and "*Cherry*", meanwhile, have been acquired by Netflix and Apple TV+ respectively. These two movies are released in the first quarter of 2021, and the relevant revenue will be recorded in the first half of 2021.

The pandemic has, however, left its mark on the revenue and profit of HB Entertainment Co., Ltd. ("HB Entertainment"), a 31%-owned associate of the Group. The share of profit from its associate had dropped by 49% to approximately HK$2,504,000 (2019: HK$4,934,000) and hence the Group has to make a provision for asset impairment for its interest in the associate of approximately HK$25,761,000 (2019: Nil). As a result, the Entertainment and Media Operations had recorded a segment loss of HK$13,213,000 (2019: segment profit of approximately HK$5,476,000). Excluding such provision for asset impairment, the segment profit from the Entertainment and Media Operations would have registered a year-on-year increase of some 129% to approximately HK$12,548,000 (2019: HK$5,476,000).

Though the COVID-19 pandemic has revived in different parts of the world to varying degrees and theatres in North America, Europe and some countries in Asia are still shut down or operating with restrictions, the film industry is recovering steadily with the vaccine studies making quickened strides and the economic activities resuming in succession. The cinemas in the PRC have been setting a number of box office records since they returned to business in July 2020. On the other hand, the Group has joined forces with international streaming platforms actively, and the films which it has taken part in financing and producing have been magnets for leading streaming platforms and gained acclaims from worldwide audiences. Aside from "*Space Sweepers*" and "*Cherry*", the Group is looking forward to the global releases of a few other film projects, which were previously completed in succession, in the years 2021 and 2022 (detailed under "Business Review" section), resulting in the revenue of the Entertainment and Media Operations of the Group being driven up significantly.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

As mentioned above, since HB Entertainment, in which the Group holds a stake of 31%, recorded a drop in revenue and profit during the year under review, the Group's share of profit had decreased by 49% to approximately HK$2,504,000 (2019: HK$4,934,000) during the year under review. The main reason was that fluctuation of the pandemic in Korea in the second half of the year has been a stumbling block to the filming and production of projects as well as business development of HB Entertainment. However, "*Beautiful Love, Wonderful Life*" and "*365: Repeat the Year*", which were both produced by HB Entertainment, were aired in the first half of the year and had attained commendable acclaims and results. While the former saw the peak of its national viewership at 32.3% and topped the national viewership ranking for weeks, the latter, with a theme of time travelling and a tight plot, had appealed to the audience. The Group is confident that, when the pandemic subsides and the operations of HB Entertainment resumes to normalcy, HB Entertainment will be able to continue its production of outstanding dramas and offer even greater contribution to the Group by exploring and consolidating the Group's position in the Korean market of film and television industry.

The operation of "Bayhood No. 9 Club" was the major source of revenue for the healthcare and wellness services with proceeds generated from membership subscription, green fee and food and beverages, etc. Originally concentrating on high-end customers, the club has been gradually reinventing its position by extending its target customer group to the mid-tier ones. There was a period-to-period increase in revenue from the relevant operations during the year under review by 1% to approximately HK$97,275,000 (2019: HK$96,590,000). The operations related to the golf course had gone mostly unscathed as the outbreak of the pandemic coincided with the conventional closure of the golf course during the winter season. Since its re-opening at the end of March 2020 after the pandemic had gradually subsided, the business has been steady. A rebound in the outbreak in Beijing in the first half of 2020 had affected the food-and-beverages related business and reduced it to limited service. With economic activities restarting steadily from July 2020 onwards, the food-and-beverages related business saw its revival in the second half of the year with a period-to-period revenue growth, resulting in an overall annual revenue broadly similar to that in 2019. Nevertheless, due to the adoption of HKFRS 16, a right-of-use asset was recognized upon the renewal of the lease in relation to the operations of "Bayhood No. 9 Club". In view of the losses from the healthcare and wellness services in the past, the Group also has to make a provision for asset impairment for such right-of-use asset of approximately HK$11,095,000 (2019: Nil). As a result, the segment loss from the healthcare and wellness services during the year under review had increased by 116% to approximately HK$26,242,000 (2019: HK$12,132,000).

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Market Review

The world has been thrown topsy-turvy by the COVID-19 pandemic in 2020. All industries have gone through interruptions and impediments to various extents, and the restart of the economy has been gathering pace after the painstaking restructuring of trades and adjustment of policies. The nationwide spending in the PRC had seen a rare drop in the year as a result of the pandemic, and the total retail sales of consumer goods went down by 3.93% on a year-to-year basis to approximately RMB39.20 trillion. The annual Gross Domestic Product ("GDP"), meanwhile, grew by 2.3% year-to-year to RMB101.6 trillion in 2020 in virtue of the active containment of the epidemic and the subsequent rebound of the economy. Spending figure during the lunar new year period of 2021 has not only surged by 28.7% as compared to the same timeframe last year when the country was shrouded in pandemic but was also significantly higher (4.9%) than the pre-pandemic lunar new year period in 2019. Such tremendous improvement in spending power of the majority after the pandemic comes under control has helped fuel the economy of the PRC.

The performance in the PRC market epitomizes the soared demand for spending on offline entertainment in the post-pandemic world. The offline theatres have been recovering at a steady pace after the film industry of the PRC resumed business since July 2020. In September 2020 the box office receipts and number of attendance had already been on a par with the figures in the past year. The film market of the PRC has amassed RMB20.417 billion (approximately US$3.1 billion) in terms of box office receipts in 2020, outperformed North America (US$2.2 billion) and climbed to the pinnacle of global box office. From the start of 2021 to 16 February, the box office receipts has already exceeded RMB10 billion, representing a year-to-year growth by 8.2% — and this was achieved within the context of the ceiling of seat occupancy rate being set at 75% under the containment measures introduced in view of the pandemic. With the number of showings, attendance and ticket prices reaching all-time high, the consumers' strong demand for films are obvious. The pandemic has also speeded up the structural adjustment of the Chinese film sector with the excellent ones outcompeting the rest, and the industry are compelled to actively set sights on getting creative and exploring different genres of themes. By doing so, attractive projects with even better quality will be developed and the reputation of Chinese films will be enhanced. As a result, the Group always insists on critically picking the right projects for investment and producing popular films with exquisite quality, so as to meet the latest trend of the market and become the leader of the industry.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Market Review *(Continued)*

The total box office receipts of North America plummeted by about 80% from 2019 to a mere US$2.2 billion, which is the lowest point in 40 years. Since the end of March 2020, most theatres in the region were forced to shut down for as long as 9 months, and a number of popular films originally scheduled for production and distribution in 2020 by many companies, such as Walt Disney Company and Warner Bros. were forced to be delayed or shown on streaming media platforms instead. The market, however, remains optimistic that the film market worldwide may resume normal gradually in 2021, and the local or overseas outstanding blockbusters which were pulled out or postponed from releasing may make their debut in the theatres in succession in the coming two years. The commencement of the vaccination programme, which is the next step to control the epidemic, may signify the recovery of the entire film market, with full restoration of the business of the film industry gradually, and it is expected that the overall box office proceeds will improve in 2021.

The Korean film market had received severe blows from the COVID-19 pandemic during the year under review due to the fluctuation of the outbreak. Korea was once the fourth largest market in box office receipts in the world after the PRC, North America and Japan; however, the "2020 Korean Film Industry Report" indicates that the audiences in Korea had dropped by 73.7% on a year-to-year basis to 59.52 million audiences in 2020. In the same year, a total of 135 films in Korea had to postpone its production or date of release, and the economic benefits brought by the film and television industry had regressed by some 67% as compared to 2019. At the same time, however, the expansions of streaming platforms, such as Netflix, have been galloping in Korea under the "new normal" of the pandemic. According to the Chosun Ilbo, a newspaper in South Korea, the revenue of Netflix in Korea reached KRW517.3 billion in 2020, representing more than 2-time boost from 2019. The Korean dramas aired via Netflix have won favour with the worldwide audience owing to their splendid craft of production. "*Space Sweepers*", Korea's first sci-fi space feature film which was financed and co-produced by the Group, released on Netflix on 5 February 2021 and became Netflix's top film in the world for two consecutive days. The Group is convinced that the Korean film market still possesses an immense prospect for both development and profit margin, and that the film industry will embrace a strong rebound after turning the corner of pandemic.

Business Review

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

For the worldwide entertainment and media industry, the year 2020 was a time when challenges were juxtaposed with opportunities. In the first half of the year the outbreak of COVID-19 compelled the theatres across the globe to shut down and the operations of the entertainment and media industry were given a crushing blow. Yet, the pandemic has also transformed consumer spending habits. With the practice of stay-at-home spending gaining momentum amidst the pandemic, a vast number of consumers now choose home theatres over the conventional ones, resulting in more and more films being released on online streaming platforms and making gradual changes to be film distribution and business model.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

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

The Group has all the way been paying close attention to the market trend and the predilection of the audience. During the year under review, the Group had produced different quality films and presented them to audiences in a new way under the limitations brought forth by the pandemic. Amongst those films, "*Eight Hundred*", which was co-invested in by the Group, has become the highest grossing film in the PRC and also in the world in 2020. Apart from making a significant contribution to the Group's revenue, its success is also the recognition of the Group's investment acumen and production ability. "*Eight Hundred*", produced by Huayi Brothers Film Co., Ltd and directed and co-written by Guan Hu, is a historical war film which has won over the critics and audiences. Since its theatrical release in the PRC on 21 August 2020, "*Eight Hundred*" has already grossed more than RMB3.1 billion according to the statistics by Maoyan Entertainment.

"*Space Sweepers*", Korean's first space sci-fi film, is financed and co-produced by the Group and was released exclusively by Netflix rather than in the originally planned offline theatres as the pandemic is still fluctuating. It made its debut on Netflix, with 31 different sets of subtitles prepared for viewers from around 190 countries and regions, on 5 February 2021 and took the audience by storm. For two consecutive days it was the highest ranked movie globally on Netflix and received wide media coverage. Starring Song Jung-ki and Kim Tae-ri, "*Space Sweepers*" had a production budget of KRW24 billion (equivalent to approximately HK$160 million) and it was the first reunion of Song Jung-ki and Jo Sung-hee, the director, since "*A Werewolf Boy*". The Group also possesses the sole distribution rights of "*Space Sweepers*" in the PRC and looks forward to introducing the film to the audience in Mainland China at the earliest opportunity.

Meanwhile, "*Cherry*", another film financed and co-produced by the Group, had its global distribution rights acquired by Apple TV+ during the year under review. Apple TV+ is an original film platform under Apple Inc. and "*Cherry*" premiered on Apple TV+ on 12 March 2021. The first movie directed by the Russo Brothers (Anthony Russo and Joe Russo) since "*Avengers: Endgame*", "*Cherry*" is starred by Tom Holland who featured in the "*Spiderman*" series. The film is an adaptation from Nico Walker's semi-autobiographical novel under the same title, in which the author tells his own story as he, after joining the American army in his youth, serving as an army medic in Iraq and retiring from the military, suffered from post-traumatic stress disorder (PTSD). He became a drug addict along with his wife, and, to satisfy his desire for drugs, eventually degenerated into a bank robber. "*Cherry*" is the Group's second film being released online via streaming platform, and such arrangement enables more audiences to enjoy the outstanding films produced by the Group when the pandemic is raging.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

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

During the year under review, two other blockbusters invested by the Group, namely "*Moonfall*" and "*Extinct*", had proceeded to the post-production stage and are expected to be distributed between 2021 and 2022. "*Moonfall*" is a Hollywood sci-fi and disaster epic directed by Roland Emmerich, the director of "*2012*", "*The Day After Tomorrow*" and "*Independence Day*" series and is a production in partnership with Roland Emmerich, Centropolis Entertainment, Street Entertainment, Huayi Brothers International Limited and the Group. It narrates the story of the moon being driven out of orbit by a mysterious force. The moon is hence on course for collision with the Earth, and the gravitational imbalance sends the Earth into chaos. Amidst desperation, a seemingly disorganized squad decides to fight the final battle in order to protect the Earth and humankind. The Group has also acquired the distribution right of *"Moonfall*" in the PRC. On the other hand, "*Extinct*" is an original animated comedy aiming at family viewing. The story involves a species of 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 soon become extinct. The duo therefore decide to travel back in time to save their race. "*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 "*Joker*").

At the same time, the Group has acquired the PRC distribution rights of "*Chaos Walking*", a film adapted from Patrick Ness's bestselling sci-fi trilogy. Produced by the Lionsgate and starring Tom Holland of the "*Spiderman*" series and Daisy Ridley of the "*Star Wars*" series, the film is about a town where only the men survive after all women were killed by a virus called "Noise". The men who survive can read the others' minds and now try to look for the transmitter of the virus in order to seek revenge. The film is expected to be in theatres of the PRC in 2021.

With regard to the Korean market, the Group remains optimistic about the demand for Korean films and television dramas in Korean and overseas markets. It has been actively looking for outstanding Korean films and television dramas and producers during the year under review. Amongst them, "*Space Sweepers*", the Korean film in which the Group has participated in its financing and production, has been well received. Besides, through HB Entertainment, the associate in which the Group holds a stake of 31%, the Group continues to engage itself in the production of and investment in outstanding films and television dramas, as well as management of artistes, in South Korea. During the year under review, the spread of the pandemic in Korea has been a stumbling block to the filming and production of projects as well as business development of HB Entertainment. Nevertheless, in the face of the unfavourable restrictions and mammoth challenges within this period, HB Entertainment was still able to produce and distribute two highly acclaimed films, namely *"Beautiful Love, Wonderful Life*" and "*365: Repeat the Year*". "*Beautiful Love, Wonderful Life*", in particular, reached as high as 32.3% in regard to the national viewership and became one of the most popular television dramas of the year. Such an amazing feat has once again proved HB Entertainment's ability in production and market acumen. The Group is confident that, after the pandemic subsides and the operations resume to normalcy, HB Entertainment will continue to produce outstanding dramas and offer impressive contribution to the Group. On another note, since Warner Bros. decided to exit the film production market of Korea, the Huayi-Warner Contents Fund, which was established jointly by the Group, Warner Bros. Korea et al., will cease operation and the Fund had gradually made payments on the redemptions of shares to the shareholders.

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 had contributed approximately HK$97,275,000 (2019: HK$96,590,000) in revenue to the Group, marking an increase of 1% year-on-year. In the first half of 2020, the outbreak of the pandemic coincided with the conventional closure of the golf course and hence had barely left its mark on the related business. The food-and-beverages-related business, meanwhile, was forced to be suspended for a considerable period but had its change in fortunes in the second half of the year, recording a significant growth in proceeds, thanks to the resumption of social activities and heightened enthusiasm of the public for going out and spending. Coupled with the burgeoning awareness of the importance of outdoor activities and personal health in face of the pandemic, business related to golf playing has augmented, meaning that the annual revenue generated by the healthcare and wellness services remained broadly similar to that in 2019.

The increase in demand for the healthcare and wellness services during the pandemic however comes at the same time with the keener competition in the market and the rise of costs (such as staff cost, water charge, etc.). The Group will continue to endeavour to step up its efforts in cost controls, so as to maintain the profit margin and stable operations of the healthcare and wellness services, which are basically self-sustaining in terms of cash flow at present.

Business Outlook

The COVID-19 pandemic in 2020 was not only an unexpected and catastrophic punch to the global entertainment and media industry but also a catalyst for the industry's move to actively explore more markets with growth potential. In 2021, it is expected that the film production in a number of countries or regions will return to normal steadily after the implementation of the guidelines on preventive measures for COVID-19. Coupled with the progress of the relevant research and vaccination across the world, the gradual subjugation of the pandemic may be on the cards with the result of a progressive recovery of the film industry. As the projects which the Group financed and developed in the past are being completed in succession, it is anticipated that the Group will have a number of films for showing in the years 2021 and 2022. Amongst them, "*Space Sweepers*", a Korean sci-fi space feature film, has taken the lead and was aired on Netflix globally on 5 February 2021. And "*Cherry*" has also been screened to worldwide audiences on Apple TV+, an original film platform under Apple Inc., on 12 March 2021. The resulting revenue will be recorded in the first half of 2021. The Group is confident that these films will all make significant contributions to the Group and help enhance the Group's revenue in respect to its Entertainment and Media Operations.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Outlook *(Continued)*

Meanwhile, the impetus given by the internet to the film market has become even more obvious during the pandemic and intensifies its competition with theatres vastly. A number of film distributors have adopted a new sales model, namely the net roadshow, to explore new markets. According to the joint report "Annual Report of the Chinese Film Market" issued by Lighthouse, and Weibo Movies, eight out of the top ten highest grossing films in the PRC in 2020 had chosen livestream ticket sales for promotion and distribution. Besides, the pandemic has derived the "stay-at-home" economy, which turned the consumers' attention to home entertainment and, in order to satisfy their demands and meet their change in viewing habits, the distributors have altered the way of distribution: films are now distributed and screened directly on OTT streaming platforms. As a result, the viewership and influence of many media streaming platforms have soared. The Group will continue to explore the possibility of premiering online and strengthen its cooperation with different international media streaming platforms.

Movies from North America still possess an enormous impact on the global film market, and they had the swiftest reaction to the pandemic. After repeated setbacks to release the films in theatres, major distributors across the world set their sights on online streaming platforms. For example, the Walt Disney Company introduced Disney+ to fulfil the demand for home entertainment, whilst Warner Bros., along with its subsidiary HBO, premiered "*Wonder Woman 1984*" simultaneously in cinemas and on media streaming platforms at the end of 2020. Such strategy has opened up a new business model: the competitive relationship between the traditional film industry and streaming platforms has evolved into a new trend of complementing and sharing prosperity. The Group has always been closely monitoring Hollywood products and any change in business model, as well as carefully choosing the most outstanding film and television drama projects for investment and production. "*Moonfall*", the Hollywood sci-fi and disaster epic, and "*Extinct*", an animated comedy, have proceeded to the post-production stage and these two proud products of the Group are expected to be released in years 2021 and 2022. In future, the Group will carry on developing projects with topnotch film studios and producers in North America and Europe, etc., so that different premium works may be presented to the audience continuously.

For the Korean market, the Korean films have won over the worldwide audience owing to the splendid craft of production. Taking *"Space Sweepers*", with Song Jung-ki playing the leading role, as an example. As Korea's first sci-fi movie, it has been hugely popular this year since its debut on Netflix and headed the charts in many countries. The Group believes that Korean films and television dramas have immense potential for development and expects HB Entertainment, its associate, to come up with more top-quality products for enrichment of the Group's accumulation of quality Korean IP.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Outlook *(Continued)*

Different industries have all hoarded up valuable experience in their struggle with the COVID-19 pandemic. Even though the operations of the theatres worldwide are still subject to certain restrictions, the online streaming platforms have demonstrated its business potential. The Group will continue to closely monitor the latest development of the epidemic and coordinate with global distributors for setting appropriate strategic adjustment, including determining the theatrical release slots according to the time of reopening cinemas, as well as to explore chances of collaboration with online streaming media. As for the healthcare and wellness services, the operation of "Bayhood No. 9 Club" has returned to normalcy after the pandemic came under control in the second half of 2020 in the PRC and is therefore expected to continue to generate stable revenue to the Group. The Group will also closely monitor the development of the pandemic and continue the preventive hygiene measures in place at the club as they are crucial to its stable operation.

Looking ahead, the Group will continue to expand its cooperation with its substantial shareholders and strategic partners and to formulate a lasting and substantial business profile by continuously developing media and entertainment operations while at the same time actively pinpointing other development opportunities with great potential through its large business group.

Environmental & Social Responsibilities

a) ***Environmental responsibilities***

Committed to building an "eco-friendly" enterprise, the Group strictly abides by applicable environmental laws and regulations in jurisdictions where its operations are located. The Group has implemented various environmental management actions, 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 conservation and recycling of energy and other resources, to improve the efficiency of the resource utilization, with the aim of minimizing the natural resources wasted while reducing operating costs. 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***

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 complied with the laws and regulations relating to human resources management where their operations are located, they have established human resources management 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 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 quotations of suppliers are in line 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, which covers aspects like production and supply capabilities, as well as credentials, etc. 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, and timely terminates cooperation with suppliers that underperform in service standards and secures additional suppliers of excellent performance.

The Group is committed to providing customers with a satisfactory experience through the delivery of premium health and wellness services. 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. By considering audience preference, industry policies and other objective factors, the Group evaluates films' profitability and compliance to the laws and regulations to determine whether to invest, and strives to present high-quality and positive film and television works to the public.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Environmental & Social Responsibilities *(Continued)*

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

The Group safeguards the legitimate rights and interests of the 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 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 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. As a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group strictly complies with the disclosure requirements of the Stock Exchange. 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 the stakeholders, the ESG report will deliver a comprehensive view on what the Group has accomplished in the establishment of ESG systems, as well as its performance during 2020.

FINANCIAL REVIEW

Revenue for the year ended 31 December 2020 amounted to approximately HK$111,055,000 (2019: HK$99,326,000), being a 12% increase comparing to the prior year. Revenue from the "Entertainment and Media" segment surged by 4 times to approximately HK$13,780,000 (2019: HK$2,736,000), mainly attributed to the successful release of epic movie "*Eight Hundred*" which has generated box office of more than RMB3.1 billion in the PRC. The Group owns a minority stake in "Eight Hundred" project and has accounted this film rights investment as financial asset at fair value through profit or loss, with the expected net gain from the project being recorded as part of the Group's revenue. Accordingly, the contribution of revenue from the "Entertainment and Media" segment to the Group's revenue increased to 12% (2019: 3%). As discussed in the "Business Review" section, "*Space Sweepers*" and "*Cherry*" have been released through Netflix and Apple TV+ in the first quarter of 2021. The management expects that the contribution of revenue from the "Entertainment and Media" segment will significantly boost in year 2021. On the other hand, revenue from the "Healthcare and Wellness Services" segment for the year ended 31 December 2020 amounted to approximately HK$97,275,000 (2019: HK$96,590,000), being an 1% increase comparing to the prior year. The outbreak of COVID-19 in the PRC coincided with the conventional closure of golf course of "Bayhood No. 9 Club" during the winter season, and in fact, golf playing has become more popular as there was growing awareness of the personal health in face of the pandemic. However, on the other hand, the operation of food and beverage business had to be scaled down for certain period of time during the year. As a result, overall revenue from the "Healthcare and Wellness Services" segment remained stable during the year.

FINANCIAL REVIEW *(Continued)*

Cost of sales for the year ended 31 December 2020 amounted to approximately HK$60,189,000 (2019: HK$60,315,000), which remained stable comparing to the prior year. Included in the cost of sales during the year was an impairment of film rights and film production in progress of approximately HK$1,138,000 (2019: Nil). Excluding the impairment of film rights and film production in progress, the cost of sales, representing the cost of operation of the "Healthcare and Wellness Services" segment, slightly dropped by 2% comparing to the prior year.

Gross profit for the year ended 31 December 2020 amounted to approximately HK$50,866,000 (2019: HK$39,011,000), being a 30% increase comparing to the prior year, with gross profit margin increased to 46% (2019: 39%), thanks to the high profit margin of the "Entertainment and Media" segment with soaring project interest revenue and profit from the release of "*Eight Hundred*" during the year.

Other income and other gains, net, for the year ended 31 December 2020 amounted to approximately HK$9,890,000 (2019: HK$936,000), being a 9.6 times increase comparing to the prior year. The significant increase was mainly due to the appreciation of RMB and KRW against HK dollars during year 2020, leading to an exchange gain of approximately HK$5,289,000 for the year ended 31 December 2020, while there was an exchange loss of approximately HK$1,968,000 for the year ended 31 December 2019.

There was no marketing and selling expenses recorded for the years ended 31 December 2020 and 2019, as there was no theatrical release of new films owned or jointly operated by the Group during the years.

Administrative expenses for the year ended 31 December 2020 amounted to approximately HK$94,839,000 (2019: HK$72,265,000), being a 31% increase comparing to the prior year. The increase in administrative expenses during the year was mainly because: 1) there was a provision for impairment of right-of-use asset in relation to the "Bayhood No. 9 Club" operations of approximately HK$11,095,000 (2019: Nil) during the year (please refer to Note 14 to the consolidated financial statements for details); and 2) there was an one-off interests and surcharges payable to the lessor of the "Bayhood No. 9 Club" operations of approximately HK$8,137,000 (2019: Nil) during the year.

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$2,504,000 (2019: HK$4,934,000). Although HB Entertainment has produced two popular TV drama series in the first half of 2020, including "*Love is Beautiful, Life is Wonderful*" which has recorded a highest national viewership rating of 31.5%, there was no new TV drama being produced by HB Entertainment in the second half of 2020 due to the impact of unstable COVID-19 outbreak in South Korea, leading to a decline in its financial performance during the year. Accordingly, there was a provision for impairment of interest in an associate of approximately HK$25,761,000 (2019: Nil) during the year (please refer to Note 16 to the consolidated financial statements for details).

FINANCIAL REVIEW *(Continued)*

Finance income/(costs), net for the year ended 31 December 2020 amounted to a net income of approximately HK$1,172,000 (2019: a net cost of HK$601,000). The increase during the year was mainly due to the net result of: 1) the incurrence of exchange gain related to other borrowings of approximately HK$6,322,000 (2019: Nil) during the year; 2) an increase of interests on lease liabilities to approximately HK$3,644,000 (2019: HK$25,000) upon renewal of the lease in relation to "Bayhood No. 9 Club" operations and the entering into of other leases during the year; and 3) an increase of interests on bank borrowings to approximately HK$1,478,000 (2019: HK$546,000) during the year. The bank borrowings was fully repaid in the second half of 2020.

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 2020, the Group held cash and cash equivalents of approximately HK$113,837,000 (2019: HK$198,248,000), being a 43% decrease comparing to the balance as at 31 December 2019. 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 2020.

The Group is at net current asset position of HK$64,439,000 as at 31 December 2020 (2019: HK$276,042,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 1.73 as at 31 December 2019 to 1.64 as at 31 December 2020, representing a healthy liquidity position.

The gearing ratio, representing the net debt (sum of total borrowings, financial liabilities and lease liabilities less cash and cash equivalents and pledged bank deposits) to total equity, is not applicable due to net surplus as at 31 December 2020 (2019: 15%). The Group's total interest-bearing bank borrowings as at 31 December 2019 amounted to approximately HK$44,653,000 and was denominated in Chinese Renminbi. The interest-bearing bank borrowings was used to finance investments in films and was fully repaid on 30 July 2020.

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, appreciation (2019: depreciation) in Chinese Renminbi and South Korean Won against Hong Kong dollars resulted in net exchange gain of approximately HK$5,289,000 (2019: net exchange losses of HK$1,968,000). 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.

LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

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 years ended 31 December 2020 and 2019, the Company has not issued new ordinary shares.

CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, none of the Group's assets was charged. As at 31 December 2019, the Group's secured bank and other borrowings of HK$365,682,000 were secured by pledged deposits amounting to HK$370,624,000.

As at 31 December 2020 and 2019, the Group did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2020, the Group employed a total of 21 (2019: 27) full-time employees in Hong Kong and the PRC, and continued to manage "Bayhood No. 9 Club" operations with 314 (2019: 396) 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 2020, the Company has applied the principles and met the code provisions of the Corporate Governance Code (the "CG Code") with the exception of the deviations from code provisions A.1.1 and A.2.1.

The code provision A.1.1 of the CG Code states that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, a total of three regular meetings of the Board were held. The Board considers that the three meetings were sufficient to address emerging board matters of the Company.

The code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the appointment of Mr. YUEN Hoi Po as the Chief Executive Officer on 26 November 2020, the Company has complied with this requirement.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six directors ("Directors") whose biographical details, as well as the relationship amongst them (if any), are set out on pages 33 to 36 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.

During the year, a total of three 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 2020 are as follows:

		Meetings		Committee Meetings			
Directors	**Director Categories**	**Board**	**General**	**Audit**	**Remuneration**	**Corporate Governance**	**Nomination**
Mr. WANG Zhongjun[1]	Chairman and Executive Director	3/3	1/1	–	ex-member 1/1	chairman 1/1	chairman 1/1
Mr. CHENG Wu	Vice Chairman and Executive Director	3/3	1/1	–	–	–	–
Mr. YUEN Hoi Po[2]	Executive Director and Chief Executive Officer	2/3	1/1	–	member 0/0[5]	–	–
Dr. WONG Yau Kar, David	Independent Non-executive Director	3/3	1/1	member 2/2	chairman 1/1	–	member 1/1
Mr. YUEN Kin	Independent Non-executive Director	3/3	1/1	chairman 2/2	member 1/1	member 1/1	–
Mr. CHU Yuguo	Independent Non-executive Director	3/3	1/1	member 2/2	–	member 1/1	member 1/1
Mr. WANG Zhonglei[3]	Former Executive Director	2/2[4]	1/1	–	–	–	–
Mr. HU Junyi[3]	Former Executive Director	2/2[4]	1/1	–	–	–	–
Total number of meetings held		3	1	2	1	1	1

1. Mr. WANG Zhongjun ceased to be the Chief Executive Officer of the Company and a member of Remuneration Committee with effect from 26 November 2020.

2. Mr. YUEN Hoi Po was appointed as the Chief Executive Officer of the Company and a member of Remuneration Committee with effect from 26 November 2020.

3. Resigned on 26 November 2020.

4. These meetings were held before their resignations.

5. No meeting was held in 2020 after his appointment.

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 (who has resigned on 26 November 2020).

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. YUEN Hoi Po (chairman) and Mr. CHENG Wu.

Executive Committee

The Executive Committee currently comprises two Executive Directors, namely Mr. YUEN Hoi Po (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

As at the date of this report, the Corporate Committee 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

As at the date of this report, the Nomination Committee 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 2020 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. YUEN Hoi Po.

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, one meeting 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;

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; and

5. Reviewing and monitoring the continuing connected transactions of the Group.

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. YUEN Hoi Po	✓	✓	
Dr. WONG Yau Kar, David*	✓	✓	✓
Mr. YUEN Kin*	✓	✓	
Mr. CHU Yuguo*	✓	✓	
Mr. WANG Zhonglei#	✓	✓	✓
Mr. HU Junyi#	✓	✓	

* Independent Non-executive Director

Resigned on 26 November 2020.

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.

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 2020.

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	**2020** **HK'000**	2019 HK'000
Audit services	**2,100**	2,100
Non-audit services		
– Interim review services	**950**	950
– Tax advisory services	**2,400**	170
– Other non-audit services	**416**	415
	5,866	3,635

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 48 to 55 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

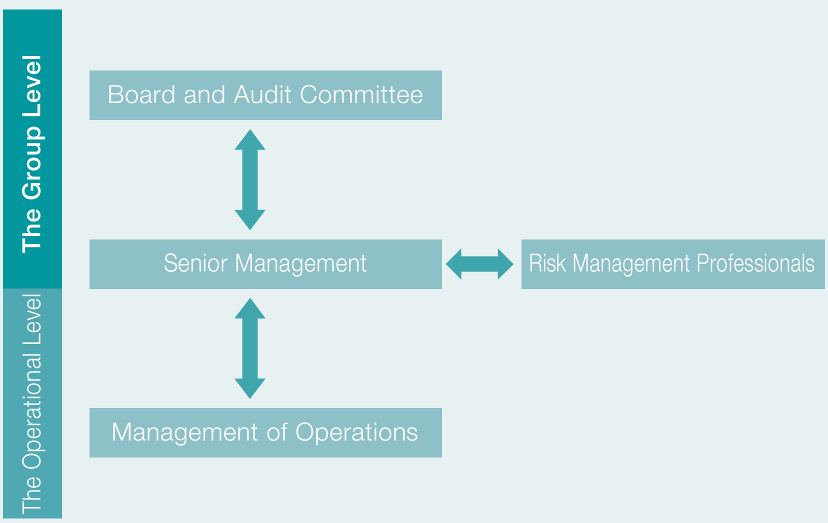
Responsibilities

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 appropriateness and effectiveness, while the management is responsible for implementing the Board's risk management and internal control policies and procedures, designing, implementing and monitoring risk management and internal control systems, and providing a confirmation to the Board of the effectiveness of such systems. 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, 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. The detailed structure is presented 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 the risk management and internal control systems carried out by the management ✓ Evaluating major risks of the Group and judging their nature and degree ✓ Providing guidance on the significant areas of risk management, shaping and developing the Group's risk culture and setting the tone at the top level ✓ Reviewing the effectiveness of the risk management and internal control systems

Senior Management
✓ Performing risk assessment on the Group from an overall perspective and implementing the Board's risk management and internal control policies and procedures ✓ Designing, implementing, and monitoring 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 in promoting risk management ✓ Overseeing business departments' establishment and implementation of risk response plans and measures

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 the Group's 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 official websites, 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 2020

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 2020 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 36 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 2020 (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 contact Customer Service Hotline of Tricor Tengis Limited at (852) 2980 1333.

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, 25 March 2021

BOARD OF DIRECTORS

Mr. WANG Zhongjun

Director since 2016
Chairman and Executive Director
Mr. WANG Zhongjun, aged 60, currently serves as Chairman of the Board and Executive Director of the Company. He is the Chairman of Nomination Committee and Corporate Governance 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. CHENG Wu

Director since 2018
Vice Chairman and Executive Director
Mr. CHENG Wu, aged 46, 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; an executive director and chief executive officer of China Literature Limited (Stock Code: 772), and a non-executive director of Maoyan Entertainment (Stock Code: 1896), the shares of which are listed on SEHK.

Mr. YUEN Hoi Po

Director since 2010
Executive Director and Chief Executive Officer
Mr. YUEN Hoi Po, aged 58, currently serves as Executive Director and Chief Executive Officer of the Company. He is the Chairman of Executive Committee and Strategy Committee as well as a member of Remuneration Committee. 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 63, 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). 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), GDH Guangnan (Holdings) Limited (Stock code: 1203), Shenzhen Investment Limited (Stock code: 604) and Sinopec Kantons Holdings Limited (Stock code: 934), the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Dr. Wong resigned as an independent non-executive director of Concord New Energy Group Limited (Stock code: 182) and CSSC (Hong Kong) Shipping Company Limited (Stock code: 3877), the companies listed on The Stock Exchange of Hong Kong Limited, in June 2018 and November 2020 respectively.

Mr. YUEN Kin

Director since 2004
Independent Non-Executive Director
Mr. YUEN Kin, aged 66, 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 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 an independent non-executive director of Lafe Corporation Limited (SGX: AYB), a company listed on The Singapore Stock Exchange, from April 2016 to December 2020. Lafe Corporation Limited was privatized and delisted on 31 August 2020.

BOARD OF DIRECTORS *(Continued)*

Mr. CHU Yuguo

Director since 2012
Independent Non-Executive Director
Mr. CHU Yuguo, aged 55, 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 46, 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 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in (i) entertainment and media business; and (ii) provision of healthcare and wellness services. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2020 are set out in Note 33 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 18 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 56 of this Annual Report.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020.

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 138 of this Annual Report.

DONATIONS

No donation was made by the Group during the year (2019: Nil).

SHARE ISSUED IN THE YEAR

Details of the shares of the Company issued in the year ended 31 December 2020 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)[1,3]
Mr. CHENG Wu (Vice Chairman)[1]
Mr. YUEN Hoi Po (CEO)[1,4]
Dr. WONG Yau Kar, David, *GBS, JP* [2]
Mr. YUEN Kin[2]
Mr. CHU Yuguo[2]
Mr. WANG Zhonglei[5]
Mr. HU Junyi[5]

1. Executive Director
2. Independent Non-executive Director
3. Mr. WANG Zhongjun ceased to be the Chief Executive Officer of the Company with effect from 26 November 2020.
4. Mr. YUEN Hoi Po was appointed as the Chief Executive Officer of the Company with effect from 26 November 2020.
5. Mr. WANG Zhonglei and Mr. HU Junyi, former Executive Directors, resigned on 26 November 2020. Mr. WANG and Mr. HU have confirmed that they do not have any disagreement with the Board and that they are not aware of any matter in relation to their resignations that need 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. CHENG Wu and Mr. CHU Yuguo 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.

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 33 to 36 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 32(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 2020 and 31 December 2020. 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 2020, calculated under the Companies Law of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$511,709,000 (2019: HK$603,739,000), representing the share premium of HK$1,213,484,000 (2019: HK$1,213,484,000) less the accumulated losses of HK$701,775,000 (2019: HK$609,745,000). 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 2020, 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%. The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases:

– The largest supplier	30%
– Five largest suppliers combined	46%

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 or customers.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in Note 2(v) 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 2020, 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	Number of shares held: Corporate interest	Number of shares held: Total	% of total issued share capital of the Company (Note 1)
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation	459,310,000	1,938,030,107 (Note 2)	2,397,340,107	17.76
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 2020.

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 2020, 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 Scheme" 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 2020, 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, 5, 6)	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	2,397,340,107	17.76
Smart Concept Enterprise Limited	Beneficial owner	Beneficial interest	1,938,030,107	14.36
GUO Guangchang	Person having a security interest in shares (Note 5)	Corporation interest	1,754,665,106	12.99
Fosun International Holdings Ltd.	Person having a security interest in shares	Corporation interest	1,754,665,106	12.99
Fosun Holdings Limited	Person having a security interest in shares	Corporation interest	1,754,665,106	12.99
Fosun International Limited	Person having a security interest in shares	Corporation interest	1,754,665,106	12.99
Fosun Culture and Media Holdings Limited	Person having a security interest in shares	Corporation interest	1,754,665,106	12.99
Greater Harmony Limited	Beneficial owner	Beneficial interest	1,262,000,000	9.35
KO Chun Shun, Johnson	Interest of a controlled corporation (Note 6)	Corporation interest	1,262,000,000	9.35

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 31 December 2020.

2. Huayi Brothers International Limited ("HBI") is a wholly-owned subsidiary of Huayi Brothers Media Corporation and is beneficially interested in 2,452,447,978 shares of the Company. Pursuant to Note 6, upon the completion of disposal of 1,777,542,649 shares of the Company to certain independent third parties on 26 January 2021, the beneficial interest of HBI in the Company was reduced to 5%.

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 1,938,030,107 shares of the Company held by his wholly-owned corporation, namely Smart Concept Enterprise Limited.

5. On 19 October 2020, HBI, a substantial shareholder of the Company, has signed an agreement with Fosun Culture and Media Holdings Limited ("Fosun"), pursuant to which HBI agreed to pledge a total of 1,754,665,106 shares of the Company (the "Pledged Shares") in favour of Fosun as security for an investment fund to be provided by Fosun to HBI.

   The Pledged Shares were released on 25 January 2021 and Fosun has no longer had beneficial interest in the Pledged Shares since then.

6. HBI has entered into an agreement to dispose of 1,777,542,649 shares of the Company to certain independent third parties on 13 November 2020. 1,262,000,000 shares of which has been disposed to Greater Harmony Limited (the "Disposal"). As Greater Harmony Limited is ultimately wholly-owned by Mr. KO Chun Shun, Johnson, Mr. KO is deemed to be interested in such shares of the Company.

   The Disposal was completed on 26 January 2021.

Save as disclosed above, as at 31 December 2020, 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

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transaction during the year is as follows:

CONNECTED TRANSACTION *(Continued)*

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.

As at 31 December 2020, 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 the year ended 31 December 2020 was HK$264,000,000. The annual cap on consideration amount for the agreements in respect of the Distribution Projects was RMB196,000,000 for the year ended 31 December 2020.

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.

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 2020 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.

CONNECTED TRANSACTION *(Continued)*

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

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 30 to the consolidated financial statements.

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 19 to 32 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 2020 Interim Report up to the date of this report.

1. Mr. WANG Zhongjun ceased to be the Chief Executive Officer of the Company, chairman of each of the Executive Committee and the Strategic Committee, and a member of Remuneration Committee on 26 November 2020;

2. Mr. YUEN Hoi Po was appointed as the Chief Executive Officer, chairman of each of the Executive Committee and the Strategic Committee, and a member of Remuneration Committee on 26 November 2020;

3. Dr. WONG Yau Kar, David has resigned as an independent non-executive director of CSSC (Hong Kong) Shipping Company Limited (Stock code: 3877) on 10 November 2020; and

4. Mr. YUEN Kin has resigned as an independent non-executive director of Lafe Corporation Limited (SGX: AYB), a company listed on The Singapore Stock Exchange, on 31 December 2020. Lafe Corporation Limited was privatized and delisted on 31 August 2020.

On behalf of the Board

WANG Zhongjun
Chairman

Hong Kong, 25 March 2021

羅兵咸永道

To the Shareholders of Huayi Tencent Entertainment Company Limited
(incorporated in the 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 56 to 137, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 matters identified in our audit are summarised as follows:

- Impairment assessment of the interest in an associate;
- Impairment assessment of the right-of-use asset in relation to operating assets of "Bayhood No.9 Club"; and
- Impairment assessment of the completed film rights and films production in progress.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the interest in an associate	
Refer to Note 2(b)(vi), 2(g) and 16 to the consolidated financial statements. As at 31 December 2020, the net carrying amount of the interest in an associate was HK$263,297,000 (2019: HK$278,250,000). Management performed assessment at the end of each reporting period to consider whether there was any indication that the interest in an associate may be impaired. The carrying value was written down to its recoverable amount, which was measured at the higher of fair value less costs of disposal ("FVLCOD") and value in use ("VIU"). The recoverable amount of the interest in an associate was assessed by FVLCOD based on market approach, a valuation technique that uses relevant information generated by market transactions involving comparable companies, and the VIU calculations based on discounted future cash flows on a cash generating unit basis. Based on the impairment assessment, an impairment loss of HK$25,761,000 in respect of the interest in an associate was recognised for the year ended 31 December 2020 based on the recoverable amount of HK$263,297,000, which was determined by its FVLCOD. We focused on auditing the impairment assessment of the interest in an associate because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of the interest in an associate is considered significant due to the complexity of the model and subjectivity of significant assumptions used.	We have performed the following procedures in relation to the impairment assessment of the interest in an associate: • We discussed with management of the Group and obtained an understanding of management's internal control and assessment process of the impairment assessment performed by management on the interest in an associate; • We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • We compared the figures included in prior year forecasts with current year actual results to evaluate the historical estimation accuracy; • We evaluated the appropriateness of the FVLCOD calculations and VIU calculations methodology adopted by the Group's management with the involvement of our internal valuation expert, and tested the mathematical accuracy of the underlying calculations; • We assessed the reasonableness of key assumptions used in valuation such as average enterprise value-to-revenue ratio of comparable companies, discounts for lack of marketability, significant influence premium, revenue growth rate, terminal growth rate and discount rate of the associate based on our knowledge of the business and industry and market research; • 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; and • We assessed the adequacy of the disclosures related to impairment assessment of the interest in an associate in the context of HKAS 36 "Impairment of Assets". Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the impairment assessment of the interest in an associate were supportable by the evidence obtained.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment assessment of the right-of-use asset in relation to operating assets of "Bayhood No.9 Club"

Refer to Note 2(g), 2(w) and 14 to the consolidated financial statements.

As at 31 December 2020, the net carrying amount of the right-of-use asset in relation to operating assets of "Bayhood No.9 Club" was HK$61,814,000 (2019: HK$16,200,000).

Management performed assessment at the end of each reporting period to consider whether there was any indication that the right-of-use asset in relation to operating assets of "Bayhood No.9 Club" may be impaired. The carrying value was written down to its recoverable amount, which was measured at the higher of FVLCOD and VIU.

Management adopted the income approach to prepare a discounted cash flow forecast to determine the recoverable amount of right-of-use asset in relation to operating assets of "Bayhood No.9 Club" under VIU calculations for the remaining lease term.

Based on the impairment assessment, an impairment loss of HK$11,095,000 in respect of the right-of-use asset in relation to operating assets of "Bayhood No.9 Club" was recognised during the year ended 31 December 2020 based on the recoverable amount of HK$61,814,000, which was determined by its VIU.

We focused on auditing the impairment assessment of the right-of-use asset in relation to operating assets of "Bayhood No.9 Club" because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of right-of-use asset in relation to operating assets of "Bayhood No.9 Club" is considered significant due to the complexity of the model and subjectivity of significant assumptions used.

We have performed the following procedures in relation to the impairment assessment of the right-of-use asset in relation to operating assets of "Bayhood No.9 Club":

- We discussed with management of the Group and obtained an understanding of management's internal control and assessment process of the impairment assessment performed by management on the right-of-use asset;
- We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- We compared the figures included in prior year forecasts with current year actual results to evaluate the historical estimation accuracy;
- We evaluated the appropriateness of the VIU calculations methodology adopted by the Group's management with the involvement of our internal valuation expert, and tested the mathematical accuracy of the underlying calculations;
- We challenged management of the Group regarding the basis of determining the key assumptions used in the valuation such as revenue growth rate and discount rate of "Bayhood No.9 Club";
- We assessed the reasonableness of key assumptions used in the valuation by reviewing the historical trend of the cash generating unit's performance and involving internal valuation expert in determining the fairness of the discount rate adopted; and
- We assessed the adequacy of the disclosures related to the provision for impairment of right-of-use asset in relation to operating assets of "Bayhood No.9 Club" in the context of HKAS 36 "Impairment of Assets" and HKFRS 16 "Leases".

Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the impairment assessment of right-of-use asset in relation to operating assets of "Bayhood No.9 Club" were supportable by the evidence obtained.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment assessment of the completed film rights and films production in progress

Refer to Note 2(e), 2(f), 2(g) and 15 to the consolidated financial statements.

As at 31 December 2020, the net carrying amount of the completed film rights and films production in progress was HK$341,217,000 (2019: HK$236,005,000).

Management performed assessment at the end of each reporting period and considered whether there was any indication that the completed film rights and films production in progress may be impaired.

Management determined the recoverable amount for each film on a individual basis using the VIU method, which was calculated based on the present value of future cash flows directly generated by the completed film rights and film production in progress. Significant judgements from management are required in the estimation of future cash inflows to be generated, which included revenue streams from different distribution channels, the correlation between different types of revenue stream and box office performance and the duration of various revenue streams.

Based on the result of the impairment assessment, an impairment loss of HK$1,138,000 regarding completed film rights was recognised during the year.

We focused on auditing the impairment assessment of completed film rights and films production in progress because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of completed film rights and films production in progress is considered significant due to the complexity of the model and subjectivity of significant assumptions used.

We have performed the following procedures in relation to the impairment assessment of the completed film rights and films production in progress:

- We discussed with management of the Group and obtained an understanding of management's internal control and assessment process of the impairment assessment performed by management on the completed film rights and films production in progress;
- We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- We evaluated the appropriateness of the methodology and discount rates adopted by management in determining the recoverable amount with the involvement of our internal valuation expert and tested the mathematical accuracy of the underlying calculations;
- We evaluated the reasonableness of management's estimation on the expected revenue to be generated by the film rights based on historical data and our knowledge on the market and industry. We compared the expected revenue against the historical box office of movies of similar genres, directors and key actors to assess the reasonableness of the expected revenue adopted by management;
- We evaluated the sensitivity analysis performed by management around the key assumptions applied to the VIU calculations in order to assess the potential impact of a range of possible outcomes;
- We assessed the adequacy of the disclosures related to the provision for impairment of completed film rights in the context of HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets".

Based on the above procedures performed, we found the judgements and assumptions made by management in the impairment assessment of completed film rights and films production in progress were supportable by the evidence obtained.

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 Audit Committee 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.

The audit committee 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 the audit committee 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 the audit committee 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, actions taken to eliminate threats or safeguards applied.

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

From the matters communicated with the audit committee, 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 Mr. Ho Chun Yu.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue and film investment income	5	**106,062**	96,951
Interest revenue calculated using the effective interest method	5	**4,993**	2,375
		111,055	99,326
Cost of sales		**(60,189)**	(60,315)
Gross profit		**50,866**	39,011
Other income and other gains, net	5	**9,890**	936
Administrative expenses		**(94,839)**	(72,265)
		(34,083)	(32,318)
Finance income/(costs), net	7	**1,172**	(601)
Share of results of an associate	16	**2,504**	4,934
Provision for impairment of interest in an associate	16	**(25,761)**	–
Loss before taxation	8	**(56,168)**	(27,985)
Taxation	9	**(406)**	(785)
Loss for the year		**(56,574)**	(28,770)
Attributable to:			
Equity holders of the Company		**(56,574)**	(28,770)
Loss per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents
Basic and diluted loss per share	10	**(0.42)**	(0.21)
		(0.42)	(0.21)

The notes on pages 62 to 137 are an integral part of these consolidated financial statements.

	Notes	**2020 HK$'000**	2019 HK$'000
Loss for the year		**(56,574)**	(28,770)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
– Currency translation differences	27	**(44)**	(6,812)
Other comprehensive loss for the year, net of tax		**(44)**	(6,812)
Total comprehensive loss for the year		**(56,618)**	(35,582)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(56,618)**	(35,582)

The notes on pages 62 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	As at 31 December **2020** **HK$'000**	2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**1,765**	3,736
Right-of-use assets	14	**68,165**	20,536
Film rights and films production in progress	15	**363,524**	252,750
Interest in an associate	16	**263,297**	278,250
Financial asset at fair value through profit or loss	18	**474**	4,112
Prepayments, deposits and other receivables	21	**18,486**	739
		715,711	560,123
Current assets			
Trade receivables	19	**–**	–
Programmes and films production in progress	20	**44,832**	75,874
Prepayments, deposits and other receivables	21	**6,394**	331,899
Pledged bank deposits	22	**–**	49,664
Cash and cash equivalents	23	**113,837**	198,248
		165,063	655,685
Total assets		**880,774**	1,215,808
Equity and liabilities			
Equity			
Equity attributable to the equity holders of the Company			
Share capital	26	**269,962**	269,962
Reserves	27	**506,630**	563,248
Total equity		**776,592**	833,210

	Notes	As at 31 December **2020** **HK$'000**	2019 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	14	**2,016**	1,916
Deferred income tax liabilities	9	**1,542**	1,039
		3,558	2,955
Current liabilities			
Lease liabilities	14	**65,733**	2,421
Other payables and accrued liabilities	25	**34,891**	11,540
Bank and other borrowings	24	**–**	365,682
		100,624	379,643
Total liabilities		**104,182**	382,598
Total equity and liabilities		**880,774**	1,215,808

The financial statements on pages 56 to 137 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf.

WANG Zhongjun
Director

CHENG Wu
Director

The notes on pages 62 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Cash flows from operating activities			
Cash used in operations	28(a)	**(71,442)**	(209,440)
Interest received from programmes and films production in progress		**2,512**	–
Interest paid		**(1,478)**	(25)
Net cash used in operating activities		**(70,408)**	(209,465)
Cash flows from investing activities			
Bank interest received		**1,342**	5,173
Purchases of property, plant and equipment		**(1,379)**	(932)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of		**–**	56,951
Prepayment for an equity investment		**(17,267)**	–
Net cash (used in)/generated from investing activities		**(17,304)**	61,192
Cash flow from financing activities			
(Repayment of)/proceeds from bank and other borrowings	28(b)	**(45,009)**	368,950
Increase in pledged deposits		**–**	(331,261)
Decrease/(increase) in pledged bank deposits		**49,664**	(49,664)
Principal elements of lease payments	28(b)	**(2,716)**	(558)
Net cash generated from/(used in) financing activities		**1,939**	(12,533)
Net decrease in cash and cash equivalents		**(85,773)**	(160,806)
Cash and cash equivalents at 1 January		**198,248**	362,490
Currency translation differences		**1,362**	(3,436)
Cash and cash equivalents at 31 December	23	**113,837**	198,248

The notes on pages 62 to 137 are an integral part of these consolidated financial statements.

	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 (loss)/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

	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 2020	**269,962**	**2,061,195**	**(1,497,947)**	**833,210**
Comprehensive loss:				
– Loss for the year	**–**	**–**	**(56,574)**	**(56,574)**
Other comprehensive (loss)/income:				
Currency translation differences				
– Group	**–**	**(8,348)**	**–**	**(8,348)**
– Associate (Note 16)	**–**	**8,304**	**–**	**8,304**
Total comprehensive loss	**–**	**(44)**	**(56,574)**	**(56,618)**
Balance at 31 December 2020	**269,962**	**2,061,151**	**(1,554,521)**	**776,592**

The notes on pages 62 to 137 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 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 25 March 2021.

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 2020:

HKFRS 3	Definition of a Business (amendments)
HKAS 1 and HKAS 8	Definition of Material (amendments)
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

These 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, interpretations and amendments not yet adopted by the Group*

A number of new standards, interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group in preparing these consolidated financial statements.

		Effective for annual periods beginning on
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (amendments)	1 January 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020
AG 5 (revised)	Revised Accounting Guideline 5 *Merger Accounting for Common Control Combinations*	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (HK Int 5 (2020))	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, management does not anticipate any significant impact on the Group's financial positions and results of operations.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) 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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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)*

(b) 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)*

(b) 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)*

(b) 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 consolidated income statement.

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)*

(b) 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.

(c) 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)*

(c) 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, 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)*

(c) 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.

(d) 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

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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(g)).

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

(e) 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.

(f) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) 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)*

(h) 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, net" 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)*

(h) 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.

(i) Financial liabilities

(i) *Initial recognition and measurement*

Financial liabilities of the Group are classified, at initial recognition, at amortized cost, net of directly attributable transaction costs.

(ii) *Subsequent measurement*

After initial recognition, financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

(iii) *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) 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(h)(iv) for a description of the group's impairment policies.

(l) 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.

(m) 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.

(n) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) 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.

(p) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) 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.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(ii) *Deferred income tax* (Continued)

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.

(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.

(r) 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)*

(s) 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 "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.

(t) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Dividend income

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

(v) 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.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(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.

(w) Leases

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Leases *(Continued)*

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.

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.

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 2020 would decrease/increase by HK$683,000 (2019: the loss for the year would decrease/increase by HK$1,220,000).

(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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

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

(i) *Risk Management (Continued)*

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.

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.

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 *(Continued)*

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 2020 and 2019, the credit loss of these individually assessed receivables was as follows:

	2020	2019
	HK$'000	HK$'000
Programmes and films production in progress	**(137)**	333

(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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(c) *Foreign exchange risk* *(Continued)*

As at 31 December 2020, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would decrease/increase by HK$3,149,000 (2019: the loss for the year would decrease/increase HK$2,540,000), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalent and other receivables denominated in RMB and recorded in group entities with functional currency in HK$.

As at 31 December 2020, 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$125,000 (2019: the loss for the year would decrease/increase HK$247,000), mainly as a result of foreign exchange gains/losses on translation of financial asset at fair value through profit or loss and share of results of an associate denominated in KRW and recorded in group entities with functional currency in HK$.

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 HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2020						
Other payables and accrued liabilities	**–**	**31,548**	**–**	**–**	**–**	**31,548**
Lease liabilities	**–**	**65,733**	**2,016**	**–**	**–**	**67,749**
Total	**–**	**97,281**	**2,016**	**–**	**–**	**99,297**
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

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total outflows HK$'000
At 31 December 2020	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	46,547	–	–	–	46,547

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 plus total lease liabilities less cash and cash equivalents and pledged bank deposits. The gearing ratio was as follows:

	2020 **HK$'000**	2019 HK$'000
Total borrowings (Note 24)	**–**	365,682
Total lease liabilities (Note 14)	**67,749**	4,337
Less: cash and cash equivalents (Note 23)	**(113,837)**	(198,248)
Pledged bank deposits (Note 22)	**–**	(49,664)
Net (surplus)/debt	**(46,088)**	122,107
Total equity	**776,592**	833,210
Gearing ratio	**N/A**	15%

(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
Financial assets				
At 31 December 2020				
Financial asset at fair value through profit or loss				
– Huayi-Warner Contents Fund (Note 18)	**–**	**–**	**474**	**474**
Film rights and films production in progress				
– Film rights investments (Note 15)	**–**	**–**	**22,307**	**22,307**
	–	**–**	**22,781**	**22,781**
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

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 (2019: 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 2019 and 2020:

	Financial assets at fair value through profit or loss – Huayi-Warner Contents Fund (Note (i))	**Total**
	HK$'000	HK$'000
As at 1 January 2019	5,973	5,973
Fair value loss through profit or loss (Note a)	(1,657)	(1,657)
Exchange realignment (Note a)	(204)	(204)
As at 31 December 2019	4,112	4,112
As at 1 January 2020	**4,112**	**4,112**
Fair value loss through profit or loss (Note a)	**99**	**99**
Return of investment	**(3,956)**	**(3,956)**
Exchange realignment (Note a)	**219**	**219**
As at 31 December 2020	**474**	**474**

Note a: During the year ended 31 December 2020, net fair value gain of HK$318,000 (2019: loss of HK$1,861,000) was recognized in the consolidated income statement and other comprehensive income.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

	Film rights and films production in progress – Film rights investments (Note (ii)) HK$'000	Total HK$'000
As at 1 January 2019	–	–
Addition	16,930	16,930
Exchange realignment	(185)	(185)
As at 31 December 2019	16,745	16,745
As at 1 January 2020	**16,745**	**16,745**
Fair value gain through profit or loss	**4,218**	**4,218**
Exchange realignment	**1,344**	**1,344**
As at 31 December 2020	**22,307**	**22,307**

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 2020.

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. During the year ended 31 December 2020, the invested film has been completed and circulated within the PRC. Management has estimated the fair value of the film rights investments based on the actual box office of the film up till 31 December 2020.

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.

(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(e) and 2(f). 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 2020, provision for impairment of HK$1,138,000 of completed film rights (2019: Nil) and no provision for impairment of films production in progress was recognized (2019: 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).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(v) 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(b)(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 2020, provision for impairment of interest in an associate has been recognized HK$25,761,000 (2019: Nil).

(vi) Classification of joint arrangements

The Group has entered into joint arrangements to produce and distribute films. The Group has participating interests ranging from 14.6% to 50% (2019: 7.5% to 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.

(vii) 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 2020, potential future cash outflows of RMB396,630,000 (equivalent to HK$471,258,000) (2019: RMB467,000,000 (equivalent to HK$521,000,000) 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, NET

The Group is principally engaged in (i) entertainment and media business; and (ii) provision of healthcare and wellness services.

	2020	2019
	HK$'000	HK$'000
Revenue		
Entertainment and media		
– Sub-licensing of film and TV programmes rights	**610**	361
Healthcare and wellness services		
– Club activities income	**53,096**	50,605
– Membership fees	**31,515**	31,809
– Food and beverage	**12,664**	14,176
	97,885	96,951
Film investment income (Entertainment and media)	**8,177**	–
Revenue and film investment income	**106,062**	96,951
Interest revenue calculated using the effective interest method (Entertainment and media)	**4,993**	2,375
	111,055	99,326
Other income and other gains, net		
Interest income	**1,342**	5,173
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**318**	(1,861)
Loss on deregistration of a subsidiary	**–**	(979)
Gain on modification of lease	**2,297**	–
Exchange gain/(losses), net	**5,289**	(1,968)
Others	**644**	571
	9,890	936

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: (i) Entertainment and media businesses and (ii) 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 before taxation, excluding exchange gain/(losses), net, finance income/(costs), net, 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, depreciation of right-of-use assets in relation to office and apartment 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 2020 (2019: Nil).

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment

For the year ended 31 December 2020

	Entertainment and Media HK$'000	Healthcare and Wellness Services HK$'000	Total HK$'000
Revenue and film investment income	**8,787**	**97,275**	**106,062**
Interest revenue calculated using the effective interest method	**4,993**	**–**	**4,993**
	13,780	**97,275**	**111,055**
Share of results of an associate	**2,504**	**–**	**2,504**
Segment results	**(13,213)**	**(26,242)**	**(39,455)**
Exchange gains, net			**5,289**
Unallocated expenses, net			**(23,174)**
			(57,340)
Finance income, net			**1,172**
Loss before taxation			**(56,168)**
Taxation			**(406)**
Loss for the year and attributable to the equity holders of the Company			**(56,574)**

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

For the year ended 31 December 2020 *(Continued)*

	Entertainment and Media HK$'000	Healthcare and Wellness Services HK$'000	Total HK$'000
Segment assets	**672,865**	**84,617**	**757,482**
Unallocated assets			**123,292**
Total assets			**880,774**
Segment liabilities	**9,762**	**70,228**	**79,990**
Unallocated liabilities			**24,192**
Total liabilities			**104,182**
Other information:			
Addition of right-of-use assets			
– Allocated	**–**	**131,297**	**131,297**
– Unallocated			**4,561**
Purchases of property, plant and equipment			
– Allocated	**–**	**1,364**	**1,364**
– Unallocated			**15**
Addition of film rights and films production in progress	**105,676**	**–**	**105,676**
Depreciation of right-of-use assets			
– Allocated	**–**	**25,018**	**25,018**
– Unallocated			**2,546**
Depreciation of property, plant and equipment			
– Allocated	**–**	**3,169**	**3,169**
– Unallocated			**347**
Reversal of impairment of programmes and films production in progress	**(137)**	**–**	**(137)**
Provision for impairment of film rights and films production in progress	**1,138**	**–**	**1,138**
Provision for impairment of right-of-use assets	**–**	**11,095**	**11,095**
Provision for impairment of interest in an associate	**25,761**	**–**	**25,761**

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

For the year ended 31 December 2019

	Entertainment and Media HK$'000	Healthcare and Wellness Services HK$'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 and 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$'000	Healthcare and Wellness Services HK$'000	Total 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)*

(b) Geographical information

The geographical information for the year ended 31 December 2020 and 2019 are as follows:

	Revenue from external customers		Non-current assets Note	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**104,957**	97,744	**108,955**	48,233
Hong Kong	**–**	–	**6,362**	4,353
Other countries	**6,098**	1,582	**318,137**	224,436
	111,055	99,326	**433,454**	277,022

Note: Non-current assets exclude interest in an associate, financial asset at fair value through profit or loss, and non-current portion of prepayment, 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 INCOME/(COSTS), NET

	2020	2019
	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	**(2,774)**	(3,313)
Interest on bank borrowings	**(1,478)**	(546)
Interest on lease liabilities (Note 14)	**(3,644)**	(25)
	(7,896)	(10,032)
Finance income		
Imputed finance income on discounting other borrowings	**–**	6,086
Imputed finance income on unwinding of discounted pledged deposits paid	**2,746**	3,345
Realized exchange gain related to settlement of other borrowings	**6,322**	–
	9,068	9,431
Finance income/(costs), net	**1,172**	(601)

8 LOSS BEFORE TAXATION

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

	2020 **HK$'000**	2019 HK$'000
Depreciation of property, plant and equipment (Note 13)	**3,516**	3,368
Depreciation of right-of-use assets (Note 14)	**27,564**	22,159
Auditor's remuneration		
– Audit services	**2,100**	2,100
– Non-audit services	**3,766**	1,535
Operating lease rentals (Note 14)	**97**	1,773
Provision for/(reversal of) impairment of		
– Right-of-use assets (Note 14)	**11,095**	–
– Interest in an associate (Note 16)	**25,761**	–
– Film rights and films production in progress (Note 15)	**1,138**	–
– Programmes and films production in progress (Note 20)	**(137)**	333
Food and beverage costs in relation to "Bayhood No. 9 Club" operation	**7,359**	7,174
Surcharge and interest in relation to "Bayhood No. 9 Club" operation	**8,137**	–
Labour costs in relation to "Bayhood No. 9 Club" operation	**35,259**	41,039
Employee benefit expense:		
Directors' fees	***720***	*600*
Wages and salaries	***16,505***	*13,430*
Contributions to defined contribution pension schemes	***1,230***	*1,581*
	18,455	15,611

9 TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the year (2019: 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.

	2020 **HK$'000**	2019 HK$'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC corporate income tax	**–**	–
Deferred income tax	**406**	785
Income tax expense	**406**	785

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:

	2020 **HK$'000**	2019 HK$'000
Loss before taxation	**(56,168)**	(27,985)
Tax calculated at domestic tax rates applicable to the profit or loss in respective countries	**(11,445)**	(5,741)
Tax effects of an associate, results reported net of tax	**426**	(814)
Income not subject to tax	**(2,888)**	(2,617)
Expenses not deductible for tax purposes	**14,663**	9,698
Utilization of previously unrecognized tax losses	**(350)**	–
Tax losses not recognized	**–**	259
Income tax expense	**406**	785

The weighted average applicable tax rate was 20.38% (2019: 20.51%). 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 liabilities is as follows:

	2020 **HK$'000**	2019 HK$'000
Current		
Deferred income tax assets to be recovered after less than 12 months	**771**	–
Deferred income tax liabilities to be recovered after less than 12 months	**(771)**	–
	–	–
Non-current		
Deferred income tax liabilities to be recovered after more than 12 months	**(1,542)**	(1,039)

9 TAXATION *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**(1,039)**	(282)
Charged to the consolidated income statement	**(406)**	(785)
Exchange difference	**(97)**	28
At the end of the year	**(1,542)**	(1,039)

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

	Film investment income HK$'000	**Total** HK$'000
As at 1 January 2019	–	–
Charged to the consolidated income statement	–	–
Exchange differences	–	–
As at 31 December 2019 and 1 January 2020	**–**	**–**
Charged to the consolidated income statement	**796**	**796**
Exchange differences	**(25)**	**(25)**
As at 31 December 2020	**771**	**771**

9 TAXATION *(Continued)*

Deferred tax liabilities

	Unremitted earning HK$'000	**Film investment income** HK$'000	**Total** HK$'000
At 1 January 2019	(282)	–	(282)
Charged to the consolidated income statement	(785)	–	(785)
Exchange differences	28	–	28
At 31 December 2019 and 1 January 2020	**(1,039)**	**–**	**(1,039)**
Charged to the consolidated income statement	**(406)**	**(796)**	**(1,202)**
Exchange differences	**(97)**	**25**	**(72)**
At 31 December 2020	**(1,542)**	**(771)**	**(2,313)**

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 2020, the Group had unrecognized tax losses of approximately HK$336,142,000 (2019: approximately HK$337,542,000) 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 utilisation of previously unrecognized tax loss of the PRC subsidiary during the year ended 31 December 2020. 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.

The Group did not recognize deferred income tax assets of approximately HK$393,000 (2019: approximately HK$743,000) in respect of tax losses of approximately HK$1,571,000 (2019: approximately HK$2,971,000) that will expire in five years from the year incurred. The remaining tax losses of approximately HK$334,571,000 (2019: approximately HK$334,571,000) can be carried forward indefinitely to offset against future taxable income.

10 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Weighted average number of ordinary shares in issue (thousands)	**13,498,107**	13,498,107
Loss attributable to equity holders of the Company (HK$'000)	**(56,574)**	(28,770)
Basic loss per share attributable to equity holders of the Company (HK cents per share)	**(0.42)**	(0.21)

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares for the year ended 31 December 2020 (2019: Same).

11 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: 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 (2019: Nil) director whose emoluments are reflected in the analysis shown in Note 32(a). The emoluments payable to the five (2019: five) individuals during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, bonuses, allowances and benefits in kind	**8,009**	5,649
Contributions to defined contribution pension schemes	**72**	186
	8,081	5,835

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$1 – HK$500,000	**1**	–
HK$500,001 – HK$1,000,000	**–**	2
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**2**	–
	5	5

13 PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
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
Year ended 31 December 2020						
Opening net book amount	**214**	**960**	**963**	**–**	**1,599**	**3,736**
Additions	**–**	**542**	**807**	**–**	**30**	**1,379**
Disposal	**–**	**–**	**(3)**	**–**	**(1)**	**(4)**
Depreciation	**(221)**	**(1,039)**	**(890)**	**–**	**(1,366)**	**(3,516)**
Exchange differences	**7**	**45**	**58**	**–**	**60**	**170**
Closing net book amount	**–**	**508**	**935**	**–**	**322**	**1,765**
At 31 December 2020						
Cost	**954**	**2,970**	**4,302**	**1,945**	**5,479**	**15,650**
Accumulated depreciation	**(954)**	**(2,462)**	**(3,367)**	**(1,945)**	**(5,157)**	**(13,885)**
Net book amount	**–**	**508**	**935**	**–**	**322**	**1,765**

Depreciation expenses of approximately HK$3,516,000 (2019: HK$3,368,000) 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:

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Office	**1,889**	4,336
Operating assets of "Bayhood No. 9 Club"	**61,814**	16,200
Apartment	**4,462**	–
	68,165	20,536
Lease liabilities		
Current	**65,733**	2,421
Non-current	**2,016**	1,916
	67,749	4,337

Additions to the right-of-use assets during the year ended 31 December 2020 were HK$135,858,000 (2019: HK$4,895,000).

On 28 December 2020, the Group had entered into a lease modification arrangement with the lessor regarding the operating assets of "Bayhood No. 9 Club". The lease term was shortened from 5 years to 3 years. The right-of-use asset and the lease liability related to the lease was reduced by HK$51,717,000 and HK$54,014,000 respectively during the year ended 31 December 2020. Gain from modification of lease of HK$2,297,000 was recognized in "Other income and other gains, net" for the year ended 31 December 2020.

14 LEASES *(Continued)*

(ii) Amounts recognized in the consolidated income statement

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

	Notes	**2020 HK$'000**	2019 HK$'000
Depreciation charge of right-of-use assets			
Office		**2,448**	559
Operating assets of "Bayhood No. 9 Club"		**25,018**	21,600
Apartment		**98**	–
	8	**27,564**	22,159
Interest expense (included in finance costs)	7	**3,644**	25
Expense relating to short-term leases (included in administrative expenses)	8	**97**	1,773
Provision for impairment (Note a)	8	**11,095**	–

Note a: Management has conducted an impairment analysis over the recoverable amount of the right-of-use asset over operating assets of "Bayhood No. 9 Club". The recoverable amount has been determined by value-in-use calculation. The calculation uses cash flow projection based on financial budget approved by management.

Management determined the compound annual growth rate of revenue in three-year period, which is the length of the lease term, based on past performance, industry forecast and the overall economic environment. The discount rate used reflected specific risks relating to this cash-generating unit.

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

	As at 31 December 2020
Compound annual growth rate of revenue in three-year period	2%
Pre-tax discount rate	20%

Based on the result of the impairment assessment, a provision for impairment of HK$11,095,000 of right-of-use asset over operating assets of "Bayhood No. 9 Club" was charged to administrative expenses during the year ended 31 December 2020, mainly due to the uncertainty of the expected future cash flows from "Bayhood No. 9 Club" following the outbreak of COVID-19 pandemic.

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 3 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

	2020 **HK$'000**	2019 HK$'000
Completed film rights (Note a)	**–**	1,149
Films production in progress (Note a)	**341,217**	234,856
Film rights investments (Note b)	**22,307**	16,745
	363,524	252,750

	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

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 2020				
Opening net book amount	1,149	234,856	16,745	252,750
Additions	–	105,676	–	105,676
Fair value change	–	–	4,218	4,218
Impairment	(1,138)	–	–	(1,138)
Exchange difference	(11)	685	1,344	2,018
Closing net book amount	–	341,217	22,307	363,524

Note (a):

As at 31 December 2020, the total cost of completed film rights amounting to approximately HK$125,899,000 (2019: HK$125,910,000) and accumulated amortization and impairment amounting to approximately HK$125,899,000 (2019: HK$124,761,000).

No amortization of completed film rights has been charged to the cost of sales in the consolidated income statement during the year ended 31 December 2020 (2019: Nil).

For the year ended 31 December 2020, impairment of HK$1,138,000 (2019: Nil) on completed film rights was recognized by using the latest available information and best estimate from the management and has been charged to cost of sales.

The Group has entered into several joint operation arrangements to produce or distribute up to ten (2019: ten) films. The Group has participating interests ranging from 14.6% to 50% (2019: 7.5% to 50%) in these joint operations. As at 31 December 2020, 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$341,217,000 (2019: HK$236,005,000).

For the year ended 31 December 2020, the Group has entered into certain licensing agreements for certain films production in progress of approximately HK$123,806,000 with expected circulation timetables in 2021.

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 2020 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 2020 and 2019 are as follows:

Name	Place of establishment and kind of legal entity	% of ownership interest		Principal activities and place of operation
		2020	2019	
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	
	2020	2019
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**141,585**	107,197
Other current assets (excluding cash)	**101,281**	58,899
Total current assets	**242,866**	166,096
Current financial liabilities (excluding trade payables)	**(9,546)**	(8,246)
Other current financial liabilities	**(72,650)**	(65,536)
Total current liabilities	**(82,196)**	(73,782)
Non-current		
Total non-current assets	**84,785**	131,382
Total non-current liabilities	**(12,176)**	(8,754)
Net assets	**233,279**	214,942
Non-controlling interest	**5,723**	1,938
Net assets attributable to the equity holders	**239,002**	216,880

16 INTEREST IN AN ASSOCIATE *(Continued)*

Summarized financial information for material associate *(Continued)*

Summarized statement of comprehensive income

	2020 HK$'000	2019 HK$'000
Revenue	**148,787**	272,155
Profit before taxation	**10,341**	17,292
Taxation	**(2,161)**	(1,257)
Profit after taxation	**8,180**	16,035
Other comprehensive income/(loss)	**13,942**	(8,710)
Total comprehensive income	**22,122**	7,325

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 (if any) made by the entity when using the equity method.

Movements of interest in an associate are as follows:

	2020 HK$'000	2019 HK$'000
Interest in an associate		
At 1 January	**278,250**	275,982
Share of results	**2,504**	4,934
Provision for impairment	**(25,761)**	–
Exchange differences	**8,304**	(2,666)
At 31 December	**263,297**	278,250

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

	2020 **HK$'000**	2019 HK$'000
Summarized financial information		
Opening net assets as at 1 January	**216,880**	209,555
Profit for the year	**8,180**	16,035
Exchange differences	**13,942**	(8,710)
Closing net assets as at 31 December	**239,002**	216,880
Interest in an associate	**73,526**	66,734
Goodwill	**189,771**	211,516
Carrying value	**263,297**	278,250

Impairment assessment for the interest in an associate

Recoverable amount was determined by the higher of the amount determined by value-in-use calculation or by fair value less costs of disposal.

The recoverable amount as at 31 December 2020 was determined by fair value less costs of disposal. Management determined that the average enterprise value-to-revenue ratio based on a pool of comparable listed companies within the same industry.

The recoverable amount as at 31 December 2019 was 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 the calculation of recoverable amount were as follows:

	As at 31 December 2020
Unobservable inputs adopted in fair value less costs of disposal calculation	
Average enterprise value-to-revenue ratio	**4.3**
Discounts for lack of marketability	**25%**
Significant influence premium	**15%**

	As at 31 December 2019
Unobservable inputs adopted in value-in-use calculation	
Compound annual growth rate of revenue in five-year period	21.5%
Annual growth rate beyond the five-year period	3.5%
Pre-tax discount rate	20.5%

Provision for impairment of HK$25,761,000 of interest in HB Entertainment has been recognized for the year ended 31 December 2020 (2019: Nil), mainly due to deterioration and uncertainty of expected future cash flows from HB Entertainment which is affected by the delay in filming and production of projects as a result of COVID-19 pandemic.

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 2020			
Programmes and films production in progress	**44,832**	**–**	**44,832**
Deposits and other receivables (excluding non-financial assets)	**5,625**	**–**	**5,625**
Cash and cash equivalents	**113,837**	**–**	**113,837**
Financial assets at fair value through profit or loss	**–**	**474**	**474**
Film rights investments	**–**	**22,307**	**22,307**
Total	**164,294**	**22,781**	**187,075**
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

Liabilities as per consolidated balance sheet

	At amortized cost HK$'000	Total HK$'000
As at 31 December 2020		
Other payables and accrued liabilities (excluding non-financial liabilities)	**31,548**	**31,548**
Lease liabilities (Note 14)	**67,749**	**67,749**
Total	**99,297**	**99,297**
As at 31 December 2019		
Other payables and accrued liabilities (excluding non-financial liabilities)	7,971	7,971
Bank and other borrowings (Note 24)	365,682	365,682
Lease liabilities (Note 14)	4,337	4,337
Total	377,990	377,990

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Unlisted securities		
Huayi-Warner Contents Fund	**474**	4,112

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 South Korean Won ("KRW") 1 billion (equivalent to approximately HK$6.8 million) for the establishment of Huayi-Warner Contents Fund. As at 31 December 2020, it represented 11% (2019: 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.

During the year ended 31 December 2020, all partners of Huayi-Warner Contents Fund, including the Group, have mutually agreed to proceed for voluntary liquidation of the fund following Warner Bros. Korea Inc.'s decision to exit the film production market of Korea. The Group has received KRW560,000,000 (equivalent to approximately HK$3,956,000) for its share of invested capital returned from the fund during the year ended 31 December 2020.

The balances are denominated in following currency:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
KRW	**474**	4,112

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

During the year ended 31 December 2020, the net fair value gain of HK$318,000 (2019: net fair value loss of approximately HK$1,861,000) 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	
	2020	2019
	HK$'000	HK$'000
Over 1 year (Note)	**8,274**	8,310
Loss allowance	**(8,274)**	(8,310)
	–	–

Note: The difference between the balances as at 31 December 2020 and 31 December 2019 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	
	2020	2019
	HK$'000	HK$'000
At 1 January	**8,310**	8,373
Exchange differences	**(36)**	(63)
At 31 December	**8,274**	8,310

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

As at 31 December 2020, the carrying amounts of trade receivables approximate their fair values and are denominated in US$ (2019: 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	
	2020	2019
	HK$'000	HK$'000
Programmes and films production in progress	**45,030**	76,205
Less: Loss allowance	**(198)**	(331)
	44,832	75,874

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
At 1 January	**75,874**	–
Additions	**–**	74,128
Interest receivable	**5,008**	2,391
Receipt of investment capital and interest	**(38,084)**	–
Decrease/(increase) in loss allowance	**137**	(333)
Exchange difference	**1,897**	(312)
At 31 December	**44,832**	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 2020, the average effective interest rate for the outstanding balance was 6.99% (2019: 7.06%).

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	
	2020	2019
	HK$'000	HK$'000
HK$	**30,075**	47,593
RMB	**14,757**	28,281
	44,832	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	
	2020	2019
	HK$'000	HK$'000
Prepayments	**19,255**	20,531
Deposits and other receivables (Note a and b)	**28,722**	335,305
	47,977	355,836
Less: provision for impairment of prepayments and other receivables (Note c)	**(23,097)**	(23,198)
	24,880	332,638
Less: non-current portion	**(18,486)**	(739)
	6,394	331,899

Note (a): As at 31 December 2019, the amounts included the pledged deposits of approximately HK$320,960,000 which were used to secure the other borrowings of approximately HK$321,029,000. During the year ended 31 December 2020, the aforesaid pledged deposits had been used to settle the amount of other borrowings. For details, please refer to Note 24.

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

Note (b): During the year ended 31 December 2020, the Group has entered into a modification of the lease of operating assets of "Bayhood No. 9 Club". Pursuant to the arrangement, other deposits of approximately HK$21,056,000 has been used to settle part of the lease liabilities.

Note (c): The difference between the balance as at 31 December 2020 and 2019 represented the exchange realignment.

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
HK$	**3,088**	11,329
RMB	**21,792**	321,309
	24,880	332,638

The carrying amounts of deposits and other receivables approximate their fair values. For the year ended 31 December 2020, no provision for impairment has been charged to the consolidated income statement (2019: Nil).

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	
	2020	2019
	HK$'000	HK$'000
Pledged bank deposits	**–**	49,664

There was no pledged bank deposits as at 31 December 2020. As at 31 December 2019, the deposits of approximately HK$49,664,000 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). The pledged bank deposits was released as the bank borrowings was fully repaid on 30 July 2020.

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	
	2020	2019
	HK$'000	HK$'000
Cash and bank balances	**113,837**	198,248
Denominated in:		
HK$	**69,144**	176,754
RMB	**24,935**	20,054
US$	**19,758**	1,440
	113,837	198,248
Maximum exposure to credit risk	**113,777**	198,232

The Group's cash and bank balances of approximately HK$24,921,000 and HK$20,037,000 as at 31 December 2020 and 2019, 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:

	2020	2019
	HK$'000	HK$'000
Current		
Bank borrowings	**–**	44,653
Other borrowings (Note i)	**–**	321,029
	–	365,682
Secured:		
Bank borrowings	**–**	44,653
Other borrowings (Note i)	**–**	321,029
	–	365,682

24 BANK AND OTHER BORROWING *(Continued)*

Bank and other borrowings *(Continued)*

Note i: As at 31 December 2019, the amounts included borrowings provided by non-financial institutions, with a total amount of approximately HK$321,029,000. The borrowings were interest-free, repayable in 12 months from the balance sheet date and were secured by deposits of RMB287,516,000 (equivalent to approximately HK$320,960,000) denominated in RMB.

During the year ended 31 December 2020, the borrowings were fully settled.

As at the date of drawdown, the imputed interest represented the differences between the fair value and the principal amount of the borrowings amounting to approximately HK$6,086,000 which was recognized in "Finance income" in the consolidated income statement for the year ended 31 December 2019 and was unwind over the loan period which was recognized in "Finance cost". During the year ended 31 December 2020, the finance cost of approximately HK$2,774,000 (2019: HK$3,313,000) was charged in the consolidated income statement.

At 31 December 2020 and 2019, the Group's borrowings were repayable as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 year (Note ii)	–	365,682

Note ii: 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	
	2020	2019
	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. The borrowings was fully repaid on 30 July 2020.

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 2020		As at 31 December 2019	
	HK$	**RMB**	HK$	RMB
Bank borrowings	**N/A**	**N/A**	N/A	5.45%
Other borrowings	**N/A**	**N/A**	1.75%	N/A

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

	2020	2019
	HK$	HK$
Pledged bank deposits	**–**	49,664
Pledged deposits	**–**	320,960
	–	370,624

25 OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Current liabilities:		
Other payables and accrued liabilities (Note i)	**26,709**	11,540
Film investment fund received, net (Note ii)	**8,182**	–
	34,891	11,540

Notes:

(i) Other payables and accrued liabilities mainly represented accrued operating expenses and PRC other tax payables.

(ii) The amounts represented film investment fund received from Huayi Brothers International Limited ("HBI"), a substantial shareholder of the Group, in respect of a film production in progress of the Group. In accordance with the terms of the investment agreement, HBI is entitled to recoup its investment amounts as appropriate by the predetermined percentage of income to be generated from the distribution of that film production in progress. The financial liabilities were subsequently measured at amortized cost after initial recognition.

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	
	2020	2019
	HK$'000	HK$'000
HK$	**8,236**	2,555
RMB	**18,473**	8,985
KRW	**8,182**	–
	34,891	11,540

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 2019 and 31 December 2020 (Note a)	150,000,000	3,000,000	240,760	2,408	3,002,408
Issued and fully paid:					
At 1 January 2019 and 1 January 2020	13,498,107	269,962	–	–	269,962
At 31 December 2019 and 31 December 2020	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 (2019: 150,000,000,000) shares are ordinary shares with par value of HK$0.02 (2019: HK$0.02) per share. 240,760,000 (2019: 240,760,000) shares are preference shares with par value of HK$0.01 per share (2019: 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 2020, no share option has been granted under the New Option Scheme (2019: Nil) and no share-based payment expense has been charged to the consolidated income statement (2019: Nil).

During the year ended 31 December 2020, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding share option as at 31 December 2020 (2019: same).

27 RESERVES

	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

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 2020	**1,213,484**	**860,640**	**1,206**	**(14,135)**	**(1,497,947)**	**563,248**
Loss for the year	**–**	**–**	**–**	**–**	**(56,574)**	**(56,574)**
Currency translation differences						
– Group	**–**	**–**	**–**	**(8,348)**	**–**	**(8,348)**
– Associate	**–**	**–**	**–**	**8,304**	**–**	**8,304**
Balance at 31 December 2020	**1,213,484**	**860,640**	**1,206**	**(14,179)**	**(1,554,521)**	**506,630**

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 operations

	2020	2019
	HK$'000	HK$'000
Loss before taxation from continuing operations	**(56,168)**	(27,985)
Adjustments for:		
– Share of results of an associate	**(2,504)**	(4,934)
– Bank interest income	**(1,342)**	(5,173)
– Interest revenue calculated using the effective interest method	**(4,993)**	(2,375)
– Depreciation of property, plant and equipment	**3,516**	3,368
– Depreciation of right of use assets	**27,564**	22,159
– Loss on disposal of property, plant and equipment	**4**	–
– Provision for impairment of interest in an associate	**25,761**	–
– Provision for impairment of right-of-use assets	**11,095**	–
– Provision for impairment of completed film rights	**1,138**	–
– (Reversal of)/provision for impairment of programmes and films production in progress	**(137)**	333
– Loss on deregistration of a subsidiary	**–**	979
– Gain on modification of lease	**(2,297)**	–
– Fair value (gain)/loss on financial asset at fair value through profit or loss, net	**(318)**	1,861
– Fair value gain on film rights investment	**(4,218)**	–
– Finance (income)/costs, net	**(1,172)**	601
	(4,071)	(11,166)
Changes in working capital:		
– Decrease in prepayments, deposits and other receivables	**(23,795)**	(225)
– Additions in film rights and films production in progress	**(105,676)**	(123,321)
– Additions in programmes and films production in progress	**–**	(74,128)
– Receipt of investment capital from financial asset at fair value through profit or loss	**3,956**	–
– Receipt of investment capital of programmes and films production in progress	**35,572**	–
– Increase/(decrease) in other payables and accrued liabilities	**22,572**	(600)
Cash used in operations	**(71,442)**	(209,440)

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

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK$'000	Leases HK$'000	Total HK$'000
At 1 January 2019	–	–	–
Cash flows	368,950	(558)	368,392
Acquisition – lease	–	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
At 1 January 2020	**365,682**	**4,337**	**370,019**
Cash flows	**(45,009)**	**(2,716)**	**(47,725)**
Acquisition – lease *(Note 28(c)(i))*	**–**	**135,858**	**135,858**
Modification – lease *(Note 28(c)(i))*	**–**	**(54,014)**	**(54,014)**
Foreign exchange adjustments	**356**	**1,696**	**2,052**
Repayment of borrowings with other deposits *(Note 28(c)(ii))*	**(323,803)**	**–**	**(323,803)**
Repayment of lease liabilities with other receivables *(Note 28(c)(i))*	**–**	**(21,056)**	**(21,056)**
Exchange gain related to other borrowings *(Note 28(c)(ii))*	**6,322**	**–**	**6,322**
Finance costs, net	**(3,548)**	**3,644**	**96**
At 31 December 2020	**–**	**67,749**	**67,749**

(c) Major non-cash transactions

(i) In April 2020, the Group had exercised its extension option and extended its lease of "Bayhood No.9 Club" for another 5 years to Oct 2025. As a result, the Group had recognized an addition of right-of-use asset and additional lease liabilities of HK$135,858,000 during the year ended 31 December 2020.

In December 2020, the Group had entered into a lease modification arrangement with the lessor regarding the operating assets of "Bayhood No.9 Club". The lease term was shortened from 5 years to 3 years. The right-of-use asset and the lease liability related to the lease was reduced by HK$51,717,000 and HK$54,014,000 respectively during the year ended 31 December 2020. Gain from modification of lease was recognized in "Other income and other gains, net" for the year ended 31 December 2020 was HK$2,297,000.

Pursuant to the above-mentioned lease modification arrangement, other deposits of approximately HK$21,056,000 has been used to settle part of the lease liabilities of "Bayhood No.9 Club" for the year ended 31 December 2020.

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

(c) Major non-cash transactions *(Continued)*

(ii) During the year ended 31 December 2020, the Group has fully repaid its other borrowings of approximately HK$323,803,000 with its pledged deposits of approximately HK$317,481,000. Realized exchange gain of HK$6,322,000 was recognized in "Finance income/(costs), net" for the year ended 31 December 2020.

29 COMMITMENTS

Investment commitments

As at 31 December 2020, total investment commitments are analyzed as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Not later than one year	**17,055**	29,587
	17,055	29,587

30 RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

Name of party	**Nature of transaction**	**31 December 2020 HK$'000**	31 December 2019 HK$'000
華誼兄弟電影有限公司 ("Huayi Brothers Film Co., Ltd")* (Note)	Interest revenue calculated using effective interest method	**2,277**	486
華誼兄弟(天津)品牌管理有限公司 ("Huayi Brothers (Tianjin) Branding Management Co., Ltd")* (Note)	Film and TV programmes exhibition	**610**	–
Huayi Brothers International Limited ("HBI") (Note)	Film investment income	**3,959**	–
		6,846	486

* English name is made for identification purpose only.

Note: Huayi Brothers Film Co., Ltd and Huayi Brothers (Tianjin) Branding Management Co., Ltd are the subsidiaries of Huayi Brothers Media Corporation, a substantial shareholder of the Company. The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

On 2 May 2019, the Company and HBI, a substantial shareholder of the Company, 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 the 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 agreements for the investing in and carrying out media and entertainment projects with HBI or its associated company of approximately HK$101,538,000 (2019: HK$117,634,000) during the year ended 31 December 2020.

(b) Related party balances

	31 December 2020 HK$'000	31 December 2019 HK$'000
Film rights and films production in progress		
– HBI	**139,361**	34,963
– Huayi Brothers Film Co., Ltd	**22,307**	16,745
– WR Brothers Inc. (Note)	**48,451**	49,094
Programmes and films production in progress		
– Huayi Brothers Film Co., Ltd	**14,757**	28,281
	224,876	129,083

Note: WR Brothers Inc. is the subsidiary of Huayi Brothers Media Corporation, a substantial shareholder of the Company.

(c) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in Note 32 and certain of the highest paid employees is disclosed in Note 12.

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Assets		
Non-current assets		
Interests in subsidiaries	**–**	–
Investment in an associate	**255,285**	281,046
Financial asset at fair value through profit or loss	**474**	4,112
Loans advance to subsidiaries	**441,658**	455,841
	697,417	740,999
Current assets		
Loan advance to a subsidiary	**48,000**	–
Prepayments, deposits and other receivables	**2,030**	10,466
Pledged bank deposits	**–**	49,664
Cash and cash equivalents	**40,605**	76,331
	90,635	136,461
Total assets	**788,052**	877,460
Equity and liabilities		
Equity		
Share capital	**269,962**	269,962
Reserves (Note (a))	**512,915**	604,945
Total equity	**782,877**	874,907
Liabilities		
Current liabilities		
Other payables and accrued liabilities	**5,175**	2,553
Total liabilities	**5,175**	2,553
Total equity and liabilities	**788,052**	877,460

The balance sheet of the Company was approved by the Board of Directors on 25 March 2021 and were signed on its behalf.

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

31 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	Accumulated losses HK$'000	Total HK$'000
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
At 1 January 2020	**1,213,484**	**1,206**	**(609,745)**	**604,945**
Loss for the year	**–**	**–**	**(92,030)**	**(92,030)**
At 31 December 2020	**1,213,484**	**1,206**	**(701,775)**	**512,915**

32 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 2020 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	–	–	–	–	–	–	–
Mr. WANG Zhonglei (Note ii)	–	–	–	–	–	–	–
Mr. HU Junyi (Note ii)	–	480	–	–	–	18	498
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Dr. WONG Yau Kar David	240	–	–	–	–	–	240
Mr. YUEN Kin	240	–	–	–	–	–	240
Mr. CHU Yuguo	240	–	–	–	–	–	240
	720	480	–	–	–	18	1,218

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	–	–	–	–	–	–	–
Mr. WANG Zhonglei	–	–	–	–	–	–	–
Mr. LIN Haifeng (Note i)	–	–	–	–	–	–	–
Mr. HU Junyi (Note ii)	–	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

32 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

Notes:

(i) Resigned on 28 October 2019

(ii) Resigned on 26 November 2020

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2020 (2019: Nil).

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

During the year ended 31 December 2020, the Company does not pay consideration to any third parties for making available directors' services (2019: 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 2020, 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 (2019: 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 2020 or at any time during the year then ended (2019: Nil).

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company as at 31 December 2020 and 2019 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 2020	Interest held 2019	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. (3)	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 (3)	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
中國9號健康管理有限公司 China Jiuhao Health Management Limited (2)	Hong Kong, limited company	HK$1 ordinary	**100%**	100%	Investment holding
騰海健康有限公司 Robust Ocean Limited (1)	Hong Kong, limited company	HK$1 ordinary	**100%**	–	Investment holding
華誼騰訊娛樂國際有限公司 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

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2020	Interest held 2019	Principal activities and place of operation
中國9號健康產業（海口）有限公司 China Jiuhao Health Industry Corporation (Haikou) Limited (2)(3)	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 (3)	PRC, limited liability company	HK$150,000	**100%**	100%	Hotel management and provision of healthcare 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 2020 are audited by PricewaterhouseCoopers.

(3) 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.

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000 (Restated)	2016 HK$'000
Revenue – continuing operations	**111,055**	99,326	109,168	167,666	128,324
Loss before finance costs and taxation – continuing operations	**(57,340)**	(27,384)	(66,314)	(140,733)	(124,664)
Finance income/(costs), net – continuing operations	**1,172**	(601)	(11)	(26)	233
Loss before taxation – continuing operations	**(56,168)**	(27,985)	(66,325)	(140,759)	(124,431)
Taxation – continuing operations	**(406)**	(785)	(130)	(364)	(86)
Non-controlling interests – continuing operations	**–**	–	(571)	(1,405)	(727)
Loss from continuing operations attributable to the equity holders of the Company	**(56,574)**	(28,770)	(67,026)	(142,528)	(125,244)
Profit/(loss) from discontinued operation attributable to the equity holders of the Company	**–**	–	140,763	38,859	(14,262)
(Loss)/profit attributable to the equity holders of the Company	**(56,574)**	(28,770)	73,737	(103,669)	(139,506)
Property, plant and equipment	**1,765**	3,736	6,276	7,059	15,940
Right-of-use assets	**68,165**	20,536	–	–	–
Film rights and films production in progress	**363,524**	252,750	129,528	212,853	367,602
Other intangible assets	**–**	–	–	5	10
Interests in joint ventures	**–**	–	–	–	–
Interest in an associate	**263,297**	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	**474**	4,112	5,973	–	–
Other non-current assets	**18,486**	739	16,200	53,799	93,976
Current assets	**165,063**	655,685	446,905	437,559	413,714
Total assets	**880,774**	1,215,808	880,864	907,865	1,093,844
Current liabilities	**100,624**	379,643	11,790	16,594	76,751
Non-current liabilities	**3,558**	2,955	282	15,313	13,224
Total liabilities	**104,182**	382,598	12,072	31,907	89,975
Net assets	**776,592**	833,210	868,792	875,958	1,003,869